UMSOBOMVU MUNICIPALITY

BUDGET

2010/2011 TO 2012/2013

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Adjustment Budgets - Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.

Allocations – Money received from Provincial and National Treasury.

Budget – The financial plan of a municipality

Budget Related Policy – Policy of a municipality affecting or affected by the budget. Examples include tariff policy, rates policy and credit control and debt policy.

Budget Steering Committee – Committee established to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the MFMA.

Capital Expenditure – Spending on **Municipal** Assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement - A statement showing when actual cash will be received and spent by the Municipality, and the month end balances of cash and short term investments. Cash receipts and payments do not always coincide with budgeted income and expenditure timings. For example, when and invoice is received by the Municipality it is shown as expenditure in the month that the services or goods are received, even though it may not be paid in the same period.

CPI – Headline Consumer Price Index

DORA – Division of Revenue Act. Annual legislation which shows the allocations from national to local government.

DORB – Division of Revenue Bill. Annual legislation tabled in parliament, but not enacted, which shows the allocations from national to local government.

Executive Management Team – A team consisting of the Municipal Manager and the Executive Directors and Chief Audit Executive reporting to the Municipal Manager.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to assist municipalities with the costs of free basic services.

GDFI – Gross Domestic Fixed Investment

GFS – Government Finance Statistics. An internationally recognized classification system that facilitates comparisons between municipalities.

IDP – Integrated Development Plan. The main strategic planning document of a municipality.

KPI – Key Performance Indicators. Measures of output and/or outcome.

MFMA – Municipal Finance Management Act (No 53 of 2003). The principal piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework as prescribed by the MFMA set out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level thereof. It effectively represents a municipality's medium term financial plan.

NT – National Treasury

Operating Expenditure – Spending on the day to day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

Portfolio Committee - Section 79 of the Structures Act dictates that a municipal council may
(a) establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers and
(b) appoint the members of such a committee from among its members.
Portfolio Committees process policies and bylaws relating to the functional areas within their terms of reference, and are responsible for implementation monitoring of these, as well as oversight of the functional areas. This oversight function is further enhanced by the Portfolio Committee's responsibility of assessing and monitoring the performance of services delivery which inter alia includes ensuring that the annual budgets of the municipality's departments are spent wisely and that there is no wastage or corruption.

PT – Provincial Treasury

Rates – Local Government tax based on assessed valuation of a property.

TMA – Total Municipal Account

SCM – Supply Chain Management

SDBIP – Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

SFA – Strategic Focus Areas: The main priorities of a municipality as set out in the IDP. Budgeted spending must contribute towards achievement of these strategic focus areas.

Subcouncils – The municipal area governed by the Umsobomvu Municipality is divided into subcouncils, each of which is made up of a number of wards. There are a total of wards, each of which is represented by a councilor. A ward is in turn made up of a number of suburbs.

Vote – One of the main segments into which a budget is divided, usually at directorate level.

MUNISIPALITEIT **MUNICIPALITY**

MINUTES:

SPECIAL COUNCIL MEETING: 31 MAY 2010

****

MINUTES

OF

SPECIAL COUNCIL MEETING

OF THE UMSOBOMVU MUNICIPAL COUNCIL

HELD IN THE

CIVIC CENTRE, CHURCH STREET, COLESBERG

ON

31 MAY 2010

AT

14:00

****

PRESENT

COUNCILLORS	**:**	**N. L. HERMANS (Mayor)**	
	:	**R.K. PENNELS**	
	:	**M. G. W. NGXAZANA**	
	:	**J. M. REED**	
	:	**N. B. MDALA**	
	:	**B. S. NENE**	
	:	**L.A. AFRIKA**	
	:	**D.B. JOKKA**	
	:	**J.N. BATTIES**	
	:	**M. Van NIEKERK**	
OFFICIALS	**:**	**A. C. MPELA**	**(Municipal Manager)**
	:	**D. T. VISAGIE**	**(Manager: Finance)**
	:	**B. D. ROSSOUW**	**(Manager: Community Services)**
	:	**P.T.R. MOSOMPHA**	**(Manager: Technical Services)**
	:	**B.J. KAPP**	**Chief Administration**
	:	**P. MANZI**	**(Political Advisor)**
	:	**H. ENGELBRECHT**	**(DBSA Deployee)**

****

1. OPENING AND WELCOMING

The Mayor, Honorable Councillor N.L. Hermans, extends a word of welcome to all Councillors, officials and members of the public. The Mayor requests Councillor J.M. Reed to open the meeting with a prayer. Councillor Reed reads a passage from the bible and upon conclusion the Mayor declares the meeting open.

2. READING OF NOTICE ACCORDING WHICH THE MEETING IS TO BE HELD

The Mayor reads the notice according which the meeting will be held.

"Notice is hereby given that a **SPECIAL** Council meeting of the Umsobomvu Municipal Council will be held in the **COLESBERG COUNCIL CHAMBERS, MURRAY STREET, COLESBERG,** on **Monday, 31 May 2010** at **14:00** to discuss the items contained in the attached agenda".

3 ATTENDANCE REGISTER.

3.1 Councillors present.

As per the attached list.

3.2 Consideration of applications for leave of absence.

None.

4. MATTERS COUNCIL'S COMPETENCE

27/05/2009 Approval of the 2010/11 Revised IDP

The Council has before it the 2010/11 revised IDP as a separate document to the agenda.

MOTION:

Moved by Councillor D.B. Jokka and seconded by Councillor M.G.W. Ngxazana;

That Council approves the revised 2010/11 IDP;

MOTION CARRIED

28/05/2010 Approval of the 2010/11 Budget

The Council has before it the 2010/11 Draft Budget together with the revised budget related policies and written submission on the draft 2010/11 budget received from stakeholders, binded in the agenda from pages 7 to 120.

The Mayor requests to be relieved as Chairperson to enable her to present to Council the 2010/11 draft budget. (The Mayor recuse herself from the Chair)

The Municipal Manager calls for proposals for an acting Chairperson.

MOTION:

Moved by Councillor M.G.W. Ngxazana and seconded by Councillor J.M. Reed;

That Councillor R.K. Pennels be appointed acting Chairperson.

MOTION CARRIED

(Councillor R.K. Pennels takes the Chair)

Councillor Pennels extends a word of appreciation for election as interim Chairperson and calls upon the Mayor, Councillor Hermans to present to Council the 2010/11 draft budget.

The Mayor presents to Council the 2010/11 Draft Budget as prescribed in terms of Section 16 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

The Mayor proceeds to deliver her Budget Speech.

Budget Speech 2010/11: Mayor, Mrs. Nombulelo Hermans.

Chief Whip, opposition parties, Councillors, Municipal Manager, officials and honored guests, it is an honor and privilege for me to present to Council the budget for the 2010/11 financial year.

The Mayor quotes a passage from the bible and says that Umsobomvu municipality was created by God as the representatives elected to Council are creations of God. The Mayor says that Councillors, officials and community members must get out of the league of complainers and start to make a contribution to the municipality.

The Mayor expresses a word of appreciation to the members of the public who attends the budget meeting. The Mayor refers to the inputs received from stakeholders on the draft budget following the advertising of the draft budget and the public participation meetings held by Council in the various towns. The Mayor says that on Friday 28 May 2010 a submission was received from the Action Group and a copy was received by the office of the Municipal Manager on Monday 31 May 2010 which was reproduced and handed out as a separate document.

The Mayor says that it is the prerogative of Council to approve the budget and that feedback must be given to the community why the budget has been presented in it's present format for adoption by Council.

The Mayor quotes from:

(i) The submission made by the Chief Financial Officer and the Chief of Administration on the approval of the budget and deals with the submissions received from the Colesberg Farmers Union, the Action Group and provincial Treasury;

(ii) The budget presentation for 2010 to 2011prepared by the Chief Financial Officer.

Legislation

(a) The budget for 2010/11 financial year has been drafted in terms of Chapter 4 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003, and

(b) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) on matters specifically related to the budget as well as directives from National Treasury on policy guidelines. (See circulars 28, 48 and 51)

Budget Related Policies

(a) Customer Care, Credit Control and Revenue Management;

(b) Indigent Policy;

(c) Tariff Policy;

(d) Rates Policy;

(e) Virement Policy.

The budget related policies have been revised and the Virement Policy has been introduced as a draft at the 31 March 2010 budget submission meeting.

Budget Focused Area

The budget focuses on the three year strategic plan for local government comprising of:

(a) Basic service delivery (performing core powers and functions);

(b) Municipal institutional development;

(c) Local economic development;

(d) Municipal financial viability;

(e) Good governance and public participation.

High Level Summary

The High Level Budget Summary focuses on the Capital Budget amounting to R 19 892 900.00 and Operating Budget amounting to R 65 145 985.00, adding up to a total of R 85 038 885.00.

The budget of R 85 038 885.00 will be funded from own funds to the amount of R 39 017 407.00 and from external funds to the amount of R 46 021 478.00.

Operating Expenditure by Type

Operating Expenditure by Type focuses on the 2009/10 Adjustments budget amounting to R 56 871 138.00, the 2010/11 budget amounting to R 65 145 985.00, the 2011/20102 budget forecast amounting to R 71 982 073.00 and the 2012/2013 budget forecast amounting to R 78 133 929.00 together with figures indicating the percentage of the budget for every vote and the average increase from the 2009/2010 budget to the 2010/2011 budget of 14.55%.

Revenue by Source

Revenue by Source focuses on the 2009/10 Adjustments budget amounting to R 56 871 138.00, the 2010/11 budget amounting to R 65 145 985.00, the 2011/20102 budget forecast amounting to R 71 982 073.00 and the 2012/2013 budget forecast amounting to R 78 133 929.00 together with figures indicating the percentage of the budget for every vote and the average increase from the 2009/2010 budget to the 2010/2011 budget of 14.55%.

Capital Expenditure

Capital Expenditure by Type focuses on the 2009/10 Adjustments budget amounting to R 27 555 950.00, the 2010/11 budget amounting to R 19 892 900.00, the 2011/20102 budget forecast amounting to R 44 526 750.00 and the 2012/2013 budget forecast amounting to R 47 589 750.00 together with figures indicating the percentage of the budget for every vote and the average decrease from the 2009/2010 capital budget to the 2010/2011 capital budget of 27.81%.

Impact of Tariffs on Large Households

The impact of the tariff increases on large households is indicates for the financial years of 2006/07, 2007/08, 2008/09, the current financial year 2009/10, and MTREF of 2010/11, 2011/12, 2012/13 together with the average increases and total monthly account comprising of all services rendered by Council.

Impact of Tariffs on Small Households

The impact of the tariff increases on large households is indicates for the financial years of 2006/07, 2007/08, 2008/09, the current financial year 2009/10, and MTREF of 2010/11, 2011/12, 2012/13 together with the average increases and total monthly account comprising of all services rendered by Council.

Tariffs

The National Treasury encouraged municipalities to keep increases as low as possible and required us to justify all increases above 6% which is the target of the South African Reserve Bank's inflation target. The increases per service rendered by Council have been listed in the budget document.

Conclusion

(a) **Revenue**

The 2010/11 anticipated revenue is based on the 2009/10 actual collections plus the rate increases and equitable share growth. The municipality should set it as an objective to source more funds from the Dora allocation as is the case presently.

(b) The outstanding debtors remain a great source of concern and we need to make inroads to collect revenue due in order to meet our commitments. The current debt collection strategies need to be revised and enhanced top make meaningful progress. The inability to collect money due puts further strain on the municipality to deliver it's mandate to provide quality and affordable services to it's inhabitants. A Service Provider was appointed in February 2010 to assists with the debt collections process.

Cash Flow Overview

The cash flow remains a focus area as it seriously impacts on the ability of the Council to extends and maintain current service levels. Strict fiscal discipline will have to be applied and maintained to improve the cash balance.

Operating Expenditure

(a) Operating expenditure was prioritized and limited to the available funds normally allocated to mandatory needs which also include bulk purchases, interest payments and outstanding loans and other statutory payments.

(b) The budget is aimed at restoring financial viability and also to continue delivering of services to the respective communities at acceptable levels.

Upon conclusion, the Mayor affords Councillors an opportunity to respond to the presentation and to ask questions on points of clarity.

Questions are raised by various Councillors and the Mayor responded to the questions posed.

Councillor Pennels congratulates the Mayor on an excellent Budget speech and extends a word of thanks to all Councillors and officials for their part in the preparation of the budget. (Councillor Pennels vacates the Chair and The Mayor chairs the meeting henceforth)

MOTION:

Moved by Councillor D.B. Jokka and seconded by Councillor B.S. Nene;

That

(i) notice be taken that the 2010/11 Draft Budget notice has been published as prescribed per Section 22 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) in the local media, displayed on the official notice boards, in the municipal libraries and the MPCC, and that the 2010/11 Draft Budget document was made available for public inspection at the various administrative units, the municipal libraries and the MPCC;

(ii) notice be taken that the public participation processes as prescribed per Chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and per Section 23(1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) have been followed to solicit inputs from the community and other stakeholders;

(iii) notice be taken that in terms of Section 23(1)(a) and (b) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) the municipality solicited views with regard to the 2010/11 Draft Budget from the local community, the National Treasury, the Provincial Treasury, national organs of state and other municipalities;

(iv) notice be taken that the verbal submissions forwarded by the public and the written submissions forwarded by the Colesberg Action Group, the Colesberg Farmers Union and Provincial Treasury have been submitted in terms of Section 23(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) to the Mayor to afford the Mayor an opportunity to respond to the submissions and that it be noted that the submissions which warrant the revision the budget have been effected;

(v) the consolidated operating budget for 2010/2011 as set out in the Municipal Budget Document, and the Appropriation Votes as set out in the Municipal Budget Document and all other Appendices of the Budget Document, are adopted by Council and constitutes the Budget of Council for 2010/2011 financial year as well as the medium term budgets for the 2011/2012 and 2012/2013 financial years;

(vi) other matters prescribed in sections 17(1) (a-c); 17 (2) and 17(3) (a-m) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) are included in or accompany the budget document and are approved;

(vii) the tariffs for water, electricity, sanitation, refuse removal, property tax and other municipal services are approved.

(viii) the income ceiling of R1 800.00 per household to be registered as an indigent household and other support measures are approved;

(ix) it be noted that the Service Delivery and Budget Implementation Plan, prescribed per Section 53(1)(c)(ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) for the approved budget for the 2010/2011 financial year will be submitted for approval to Council within 28 days of approval of the budget;

(x) the 2010/11 Budget be submitted to the National and Provincial Treasury;

(xi) the revised budget related policies which comprise of the Customer Care, Credit Control and Revenue Collection, Indigent Policy , Tariff Policy, Rates Policy and the Virement Policy be approved.

MOTION CARRIED

The Mayor remarks by saying that Council must always ensure that the public is involved and informed in municipal matters. Councillors must constantly work to ensure common understanding as there is different levels of understanding and Councillors must explain the questions posed by the community.

The Mayor says that the budget process and document conforms to all legislative requirements and that the SDBIP will be drafted and submitted to Council within 28 days of approval of the budget. The budget document will be made public after the meeting as Umsobomvu is a transparent Council.

7. **CLOSURE**

The Mayor informs the meeting that Councillor Koopman of Emthanjeni municipality passed away and requests everybody to observe a moment of silence. The Mayor says that the funeral arrangements will be communicated by Emthanjeni municipality.

The Mayor requests Councillor J.M. Reed to close the meeting with a prayer. Councillor Reed does a prayer and the Mayor declares the meeting close.

MINUTES APPROVED THIS ….th DAY OF …….2010

_____

N. L. HERMANS

MAYOR

The preparation of the 2010/2011 Municipality's Medium Term Revenue and Expenditure Framework (MTREF) was an extremely challenging one as various factors, with considerable potential impacts on core service delivery cost and revenue components influenced the outcome of its MTREF.

Inflation forecast as envisage by National Treasury is 5,7% for 2010-11; 6,2% for 2011-12 and 5,9% for 2012-13 years respectively.

Further key parameters applied to the Municipality's financial framework included the following for the 2010/2011 financial year:

- Revenue/tariff increases

Rates: Residential	3%
Rates: Business & Industrial	5%
Rates: Government	8%
Electricity	18%
Water: Residential	
per kiloliter 0 - 6kl	1%
per kiloliter 7kl - 20kl	3%
per kiloliter 21 - 30kl	5%
per kiloliter 31 - 50kl	8%
per kiloliter more than 50k	8%
Water: Businesses	6%
Sanitation	6%
Refuse: Residential	3%
Refuse: Businesses	6%

- Salaries and Wages adjustments 8.48%
- General expenses 13.36%
- Repairs and Maintenance 19.8%

Total revenue for the 2010/2011 financial year amounts to R65 145 985.00, which represents an increase of R8 274 847.00, 14.55% over 2009/2010.

Primary operating budget revenue- and expenditure categories reflect the following year-on-year budget increases/(Decreases):

- Assessment Rates (3.0%)

Percentage growth on revenue categories (year-on-year):

- Electricity 17%
- Water 9%
- Refuse 3%

Percentage growth on expenditure categories (year-on-year):

- Staff costs 17%
- General expenses 13%
- Repairs & Maintenance 20%

The budget has been prepared in terms of guidelines from the Budget Steering Committee and further guidelines as contained in National Treasury Circular 51 (February 2010).

The Budget schedules to be approved by resolution of Council:

Table A1 – Budget Summary

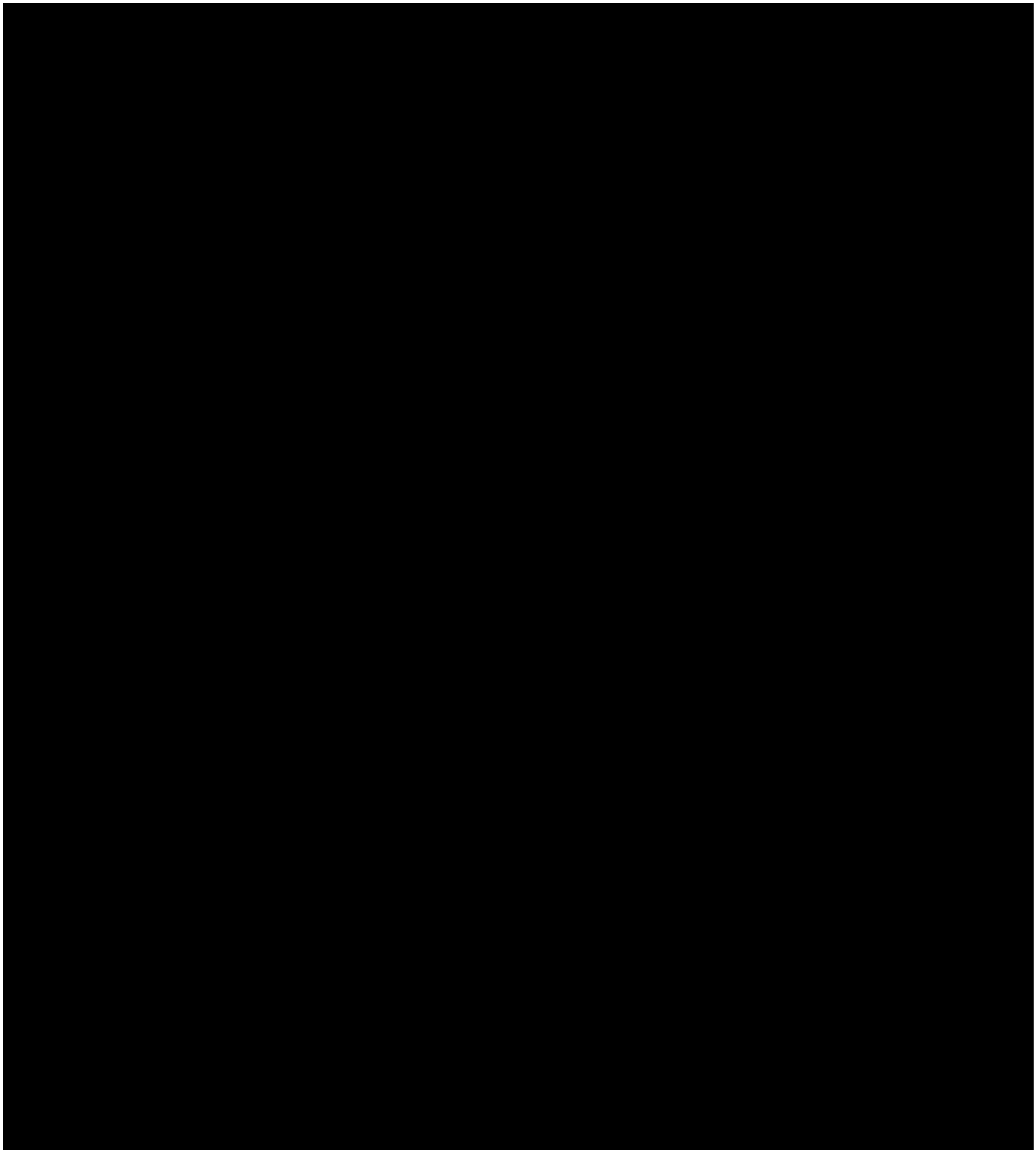


Table 1: Budget Summary (Table A1)**The 2006/07 and 2007/08 audited outcomes iro the capital budget excludes adjustments which are not made on our financial system*

Table A2 – Budgeted Financial Performance (Revenue and Expenditure by standard classification)

Table 2: Budgeted Financial Performance (Revenue and Expenditure by standard classification) (Table A2)

Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table 3: Budgeted Financial Performance (Revenue and Expenditure by municipal vote) (Table A3)

Table A4 – Budgeted Financial Performance (revenue and expenditure)

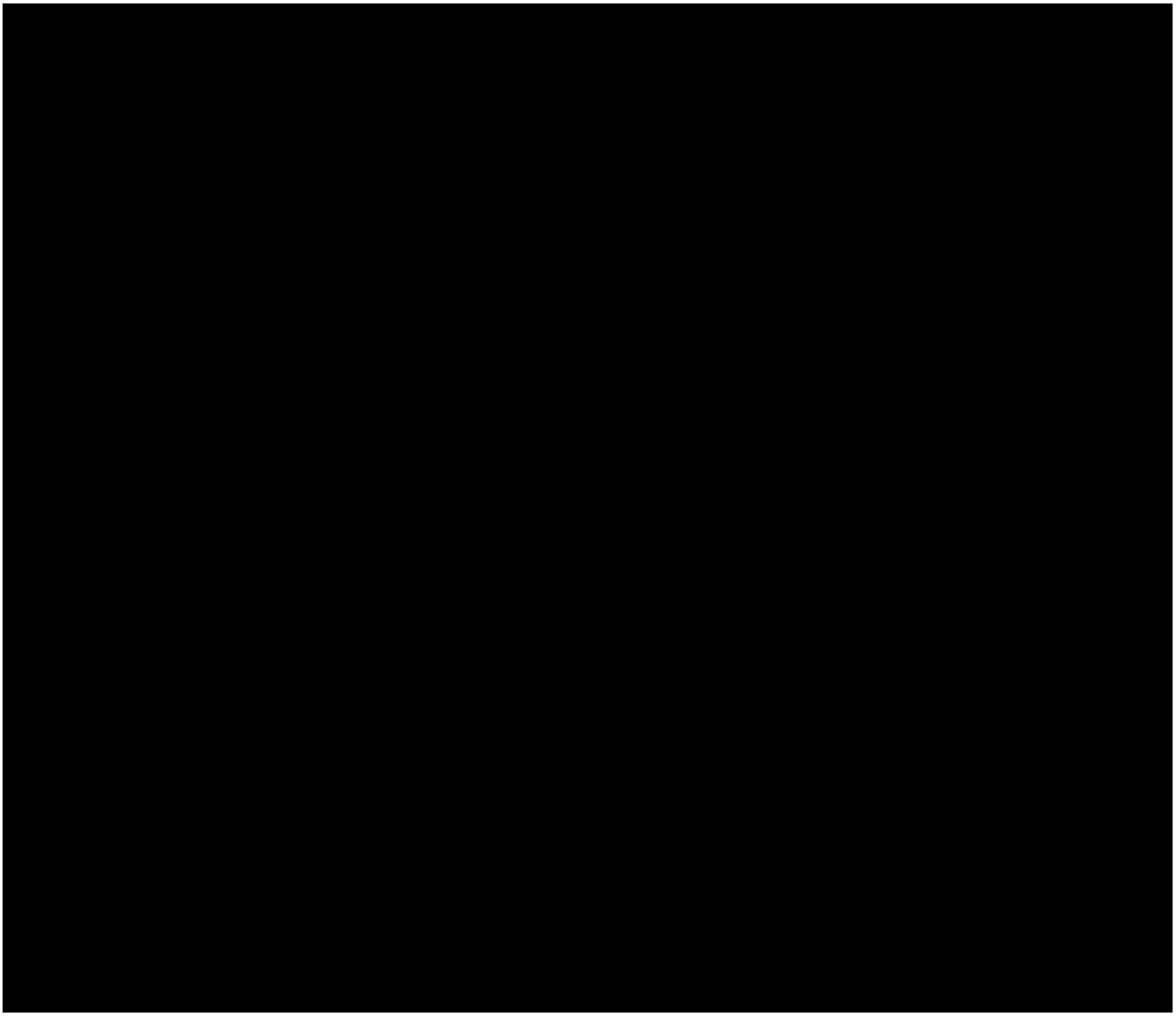


Table 4: Budgeted Financial Performance (Revenue and Expenditure) (Table A4)

Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding

NC072 Umsobomvu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10				2010/11 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote1 - Executive & Council		–	2,573	–	–	–	–	–	12	–	–
Vote2 - Finance & Administration		6	415	–	–	–	–	–	158	–	–
Vote3 - Community Services		–	–	310	1,080	1,080	1,080	–	150	–	–
Vote4 - Technical Services		549	2,494	137	19,121	26,918	26,918	–	19,573	44,527	47,590
Example 5 - Vote5		–	–	–	–	–	–	–	–	–	–
Example 6 - Vote6		–	–	–	–	–	–	–	–	–	–
Example 7 - Vote7		–	–	–	–	–	–	–	–	–	–
Example 8 - Vote8		–	–	–	–	–	–	–	–	–	–
Example 9 - Vote9		–	–	–	–	–	–	–	–	–	–
Example 10 - Vote10		–	–	–	–	–	–	–	–	–	–
Example 11 - Vote11		–	–	–	–	–	–	–	–	–	–
Example 12 - Vote12		–	–	–	–	–	–	–	–	–	–
Example 13 - Vote13		–	–	–	–	–	–	–	–	–	–
Example 14 - Vote14		–	–	–	–	–	–	–	–	–	–
Example 15 - Vote15		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	555	5,482	447	20,201	27,998	27,998	–	19,893	44,527	47,590
Single-year expenditure *to be appropriated*	2										
Vote1 - Executive & Council		–	–	–	–	–	–	–	–	–	–
Vote2 - Finance & Administration		–	–	–	–	–	–	–	–	–	–
Vote3 - Community Services		–	–	–	–	–	–	–	–	–	–
Vote4 - Technical Services		–	–	–	–	–	–	–	–	–	–
Example 5 - Vote5		–	–	–	–	–	–	–	–	–	–
Example 6 - Vote6		–	–	–	–	–	–	–	–	–	–
Example 7 - Vote7		–	–	–	–	–	–	–	–	–	–
Example 8 - Vote8		–	–	–	–	–	–	–	–	–	–
Example 9 - Vote9		–	–	–	–	–	–	–	–	–	–
Example 10 - Vote10		–	–	–	–	–	–	–	–	–	–
Example 11 - Vote11		–	–	–	–	–	–	–	–	–	–
Example 12 - Vote12		–	–	–	–	–	–	–	–	–	–
Example 13 - Vote13		–	–	–	–	–	–	–	–	–	–
Example 14 - Vote14		–	–	–	–	–	–	–	–	–	–
Example 15 - Vote15		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Vote		555	5,482	447	20,201	27,998	27,998	–	19,893	44,527	47,590
Capital Expenditure - Standard											
Governance and administration		6	2,988	–	–	–	–	–	170	–	–
Executive and council			2,573						12		
Budget and treasury office		6	415						158		
Corporate services											
Community and public safety		–	–	310	1,080	1,080	1,080	–	150	–	–
Community and social services				310					150		
Sport and recreation					1,080	1,080	1,080				
Public safety											
Housing											
Health											
Economic and environmental services		110	–	–	–	–	–	–	–	–	–
Planning and development											
Road transport		110									
Environmental protection											
Trading services		439	2,494	137	19,121	26,918	26,918	–	19,573	44,527	47,590
Electricity		110	2,430		280	280	280		280		
Water		329	64		10,000	12,681	12,681		19,293	44,527	47,590
Waste water management				137	8,841	13,957	13,957				
Waste management											
Other											
Total Capital Expenditure - Standard	3	555	5,482	447	20,201	27,998	27,998	–	19,893	44,527	47,590
Funded by:											
National Government					8,841	13,957	13,957		9,293	11,177	13,590
Provincial Government					10,280	12,961	12,961		10,280	33,350	34,000
District Municipality											
Other transfers and grants				447	1,080	1,080	1,080				
Transfers recognised - capital	4	–	–	447	20,201	27,998	27,998	–	19,573	44,527	47,590
Public contributions & donations	5										
Borrowing	6	549	2,945								
Internally generated funds		6	150						320		
Total Capital Funding	7	555	3,095	447	20,201	27,998	27,998	–	19,893	44,527	47,590

Table 5: Budgeted Capital Expenditure by vote, standard classification and funding (Table A5)

Table A6 – Budgeted Financial Position

Table A7 – Budgeted Cash Flows

Table 7: Budgeted Cash Flows (Table A7)

Table A8 – Cash backed reserves/accumulated surplus reconciliation

Table 8: Cash backed reserves/accumulated surplus reconciliation (Table A8)

Table A9 – Asset Management

NC072 Umsobomvu - Table A9 Asset Management

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
CAPITAL EXPENDITURE										
Total New Assets	1	555	5,482	447	20,201	27,998	27,998	19,893	44,527	47,590
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	2,123	–	280	280	280	280	350	–
Infrastructure - Water		–	–	–	10,000	12,681	12,681	19,293	44,177	47,590
Infrastructure - Sanitation		–	–	–	8,841	13,957	13,957	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	*2,123*	–	*19,121*	*26,918*	*26,918*	*19,573*	*44,527*	*47,590*
Community		6	248	310	1,080	1,080	1,080	150	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	549	3,112	137	–	–	–	170	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	2	–	–	–	–	–	–	–	–	–
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	–	–	–
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	–	–	–	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Total Capital Expenditure	4									
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	2,123	–	280	280	280	280	350	–
Infrastructure - Water		–	–	–	10,000	12,681	12,681	19,293	44,177	47,590
Infrastructure - Sanitation		–	–	–	8,841	13,957	13,957	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	*2,123*	–	*19,121*	*26,918*	*26,918*	*19,573*	*44,527*	*47,590*
Community		6	248	310	1,080	1,080	1,080	150	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		549	3,112	137	–	–	–	170	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	555	5,482	447	20,201	27,998	27,998	19,893	44,527	47,590
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport										
Infrastructure - Electricity		2,827	3,135	3,135						
Infrastructure - Water		12,825	12,889	12,889						
Infrastructure - Sanitation		5,972	–	137						
Infrastructure - Other		35,192	46,275	46,585						
Infrastructure		*56,817*	*62,299*	*62,746*	–	–	–	–	–	–
Community										
Heritage assets										
Investment properties		–	–	–	–	–	–	–	–	–
Other assets										
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	56,817	62,299	62,746	–	–	–	–	–	–
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		–	–	–	–	–	–	–	–	–
Repairs and Maintenance by Asset Class	3	–	–	–	–	–	–	–	–	–
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	–	–	–
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	–	–	–	–	–	–	–	–	–
TOTAL EXPENDITURE OTHER ITEMS		–	–	–	–	–	–	–	–	–
% of capital exp on renewal of assets		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Renewal of Existing Assets as % of deprecn"		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
R&M as a % of PPE		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Renewal and R&M as a % of PPE		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*

Table A10 – Basic service delivery measurement

NC072 Umsobomvu - Table A10 Basic service delivery measurement

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Household service targets (000)	1									
Water:										
Piped water inside dwelling		3	3	3	3	3	3	3	3	3
Piped water inside yard (but not in dwelling)		2	2	2	2	2	2	2	2	2
Using public tap (at least min.service level)	2	0	0	0	0	0	0	0	0	0
Other water supply (at least min.service level)	4									
Minimum Service Level and Above sub-total		5	5	5	5	5	5	5	6	6
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	5	5	5	5	5	5	5	6	6
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		3	3	3	3	3	3	4	4	4
Flush toilet (with septic tank)		0	0	0	0	0	0	0	0	0
Chemical toilet										
Pit toilet (ventilated)		0	0	0	1	1	1	1	1	1
Other toilet provisions (> min.service level)										
Minimum Service Level and Above sub-total		4	4	4	4	4	4	4	4	5
Bucket toilet		1	1	1	1	1	1	1	1	1
Other toilet provisions (< min.service level)										
No toilet provisions										
Below Minimum Service Level sub-total		1	1	1	1	1	1	1	1	1
Total number of households	5	5	5	5	5	5	5	5	6	6
Energy:										
Electricity (at least min.service level)		2	2	2	3	3	3	3	3	3
Electricity - prepaid (min.service level)		2	2	2	2	2	2	3	3	3
Minimum Service Level and Above sub-total		5	5	5	5	5	5	5	6	6
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	5	5	5	5	5	5	5	6	6
Refuse:										
Removed at least once a week		5	5	5	5	5	5	5	6	6
Minimum Service Level and Above sub-total		5	5	5	5	5	5	5	6	6
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	5	5	5	5	5	5	5	6	6
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		5	5	2	2	2	2	2	3	3
Sanitation (free minimum level service)		2	2	2	2	2	2	2	2	2
Electricity/other energy (50kwh per household per month)		2	2	2	2	2	2	2	2	2
Refuse (removed at least once a week)		2	2	2	2	2	2	2	2	2
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		252	307	352	170	170	170	175	189	204
Sanitation (free sanitation service)		126	126	148	155	155	155	192	202	218
Electricity/other energy (50kwh per household per month)		57	64	63	104	104	104	131	163	176
Refuse (removed once a week)		97	98	115	121	121	121	150	156	169
Total cost of FBS provided (minimum social package)		532	596	678	550	550	550	648	710	767
Highest level of free service provided										
Property rates (R'000 value threshold)		–	–	–	30	30	30	31	31	34
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		1	1	1	1	1	1	1	1	1
Sanitation (Rand per household per month)		50	54	60	65	65	65	68	71	77
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		1	1	1	1	1	1	1	1	1
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)		–	–	–	645	645	645	650	655	660
Property rates (other exemptions, reductions and rebates)										
Water		252	307	352	170	170	170	175	189	204
Sanitation		126	126	148	155	155	155	192	202	218
Electricity/other energy		57	64	63	104	104	104	131	163	176
Refuse		97	98	115	121	121	121	150	156	169
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
Total revenue cost of free services provided (total social package)		532	596	678	1,196	1,196	1,196	1,298	1,365	1,427

a. Budget Process Overview (including consultation process and outcomes)

In terms of Section 24 of the MFMA, Council must at least 30 days before the start of the financial year consider approval of the annual budget. Section 53, requires the mayor of a municipality to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations, gazette on 17 April 2009, states that the mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

The budget process for the 2010/2011 MTREF period commenced with a Strategic Session of the Council and the Top Management in May 2010. This session dealt with past performance trends of operating and capital budgets in recent years, identified budget realities going forward and set the criteria and basis of the Municipality's budget Prioritisation Process, which methodology represents a continuation of the approach commenced with for the 2009/2010 financial year and which was to be used in the appropriation of financial resources amongst Umsobomvu functions during the 2010/2011 budget cycle.

Service Departments submitted their budget proposals for consideration to the CFO during March 2010.

The Budget Steering Committee considered and debated various iterations of the MTREF forecasting model to ensure a sustainable future product, between March 2010 and May 2010.

The draft operating and capital budgets, based on the parameters and assumptions set out in the MTREF model, are tabled at the Council meeting in March 2010. The Budget, IDP and tariff proposals were published for comment and consultation as part of the public participation process during April 2010.

Comments from the above process were submitted to the Council for adoption in May 2010.

b. Process used to integrate the review of the IDP and preparation of the Budget

The Municipality's IDP is its principal strategic planning instrument, which guides and informs its ongoing planning, management and development actions. The IDP represents the Municipality's commitment to the exercise of its executive authority (except in cases where it is in conflict with national or provincial legislation, in which case such legislation prevails) and is effectively the local government's blueprint by which it strives to realize its vision for Colesberg over the short- medium- and long term.

The figure below explains how corporate strategy is cascaded towards the lower levels of the organization, and how it influences and shapes the operating and capital budgets of the various directorates and departments within the municipality.
The municipality's visionary framework is rolled out into objectives, key performance indicators (KPIs) and targets for implementation. These are then broken into Service Delivery and Budget Implementation Plans (SDBIPs) that reflect the detailed projects. Each of these projects is allocated budgetary and other resources.

The IDP also informs the Municipality's performance management system, as the KPIs are monitored and must be reported on every quarter.

c. Process of consultation with the community and key stakeholders

The fourth annual review of the Five Year Plan for Umsobomvu's Municipality commenced when Council adopted the Process Plan for the IDP and Budget at its meeting in September 2009. The Process Plan set the framework for further engagements with various stakeholders to ensure tabling of the 2010/2011 IDP and Budget by the end of March 2010.

The Municipality's consultation process on its draft IDP review and budget, where various community organizations and representatives have come forward to give input on the strategic focus areas (SFA) and challenges facing the Municipality, was held from October to February 2010.

Public awareness of the process was attained with extensive advertising both in the print media, regional and locally as well as invitations to ward committees informing communities of their need to participate in the processes.

Consultation at Community organizational level

- Various opportunities in partnership with the Pixley Ka Seme District Municipality and Provincial Treasury were created and are ongoing where capacity is built with community organizations to assist the sectors with which they are involved in to participate in all IDP engagements.

The tabled budget was submitted to National Treasury and Provincial Treasury for their assessment in accordance with S23 of the MFMA in April 2010.

a. The Vision, Mission and Slogan of Umsobomvu Municipality

The Municipality's long term vision:

''To be the Fastest Economically Developing Municipality in South Africa"

The Municipality's long term mission:

''To serve our Community by Delivering Quality Services and Customer Care through Dedicated Staff for the Upliftment of our Community socially and economically"

The Municipality's slogan:

''Umsobomvu Municipality

South Africa's Halfway- House

With Great Possibility"

b. The 5-Year IDP and Strategic Focus Areas

On 1 July 2006, the Municipality implemented a new five-year Integrated Development Plan (IDP) for the period July 2006 to June 2011 to inform and guide the current elected public representatives' in their term of office. The annually reviewed IDP outlines the intent of the Municipality in terms of the five strategic focus areas, which it has agreed are required to overcome the challenges it is facing, achieve its vision, and implement its other strategic considerations.

These five strategic focus areas form the framework of the five-year IDP and function as internal strategic levers to facilitate shared growth and development and enhance urban efficiency and institutional effectiveness. The way in which the Municipality's vision is supported by the strategic focus areas is shown below:

STRATEGIC FOCUS AREAS:

1. Basic Service Delivery
2. Local Economic Development
3. Municipal Transformation and Institutional Development
4. Financial Viability and management
5. Good Governance and Public Participation

a. Key financial indicators and ratios

NC072 Umsobomvu - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2006/7	2007/8	2008/9	Current Year 2009/10				2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Borrowing Management											
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	12.6%	7.8%	5.2%	3.3%	3.3%	3.3%	0.0%	0.0%	0.0%	0.0%
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	-1.3%	-4.1%	0.6%	2.6%	2.6%	2.6%	0.0%	2.4%	2.3%	2.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	14.5%	-1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	139.4%	173.9%	180.0%	0.0%	0.0%	0.0%	0.0%	30.1%	27.4%	26.1%
Gearing	Long Term Borrowing/ Funds & Reserves	57.5%	44.3%	30.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	2.1	1.8	1.7	33.4	33.4	33.4	–	29.0	40.2	52.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.1	1.8	1.7	33.4	33.4	33.4	–	29.0	40.2	52.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.2	0.1	–	–	–	–	1.0	1.5	2.0
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		73.0%	67.3%	66.6%	66.6%	66.6%	66.6%	63.4%	59.7%	58.8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	91.9%	87.5%	89.5%	69.9%	70.5%	70.5%	0.0%	43.0%	40.3%	38.4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))										
Funding of Provisions											
Provisions not funded - %	Unfunded Provns./Total Provisions										
Other Indicators											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source										
Employee costs	Employee costs/(Total Revenue - capital revenue)	37.7%	37.6%	40.4%	41.2%	38.3%	38.3%	0.0%	39.2%	34.9%	36.4%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	42.8%	41.6%	44.4%	45.1%	42.7%	42.7%		42.9%	38.4%	39.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.8%	2.2%	2.7%	2.6%	2.6%	2.6%	0.0%	2.4%	2.3%	2.3%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	(14.4)	(39.7)	–	–	–	–	–	–	–	–
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	149.8%	154.8%	151.5%	123.7%	121.9%	121.9%	0.0%	78.8%	74.9%	68.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.5	(0.9)	(3.0)	0.1	(0.2)	(0.2)	–	5.4	16.1	24.2

Table 11: Performance Indicators (Support Table A8)

b. Measurable performance objectives and indicators

The Municipality's visionary framework is unpacked into objectives, Key Performance Indicators (KPIs) and targets for implementation. These are then broken up into Service Delivery and Budget Implementation Plans (SDBIPs) that reflect the detailed projects, which are then allocated a budget. This concept also includes the Municipality's performance management system, as the KPIs that are contained in the SDBIPs are monitored and reported on quarterly.

The municipality's measurable performance objectives as reflected in SDBIP are attached as annexure 2.

Revenue Framework

Section 18 of the MFMA states that the budget can only be funded by realistically anticipated revenue to be collected and cash-backed accumulated funds from previous years, not committed for other purposes.

In addition, NT Circular 42 stipulates that the budget is to be managed in a full accrual manner, reflecting a transparent budget and accounting system approach.

The MFMA requires the municipality to adopt and implement a tariff policy. Council has approved such policies for all major tariff-funded services provided by the municipality, which are attached as annexures to this document.

Council is required to adopt budgetary provisions based on realistic anticipated revenue for the budget year from each revenue source as per the requirement of the MFMA (Chapter 4, s17 (1)(a) & (3) (b)).

1. Revenue Related Policies

General Tariff Policy

The Municipal Systems Act requires Council to adopt a Tariff Policy. The general financial management functions covered in section 62 of the MFMA includes the implementation of a tariff policy. Specific legislation applicable to each service has been taken into consideration when determining this policy.

The General Tariff Policy and subsequent Water and Sanitation, Electricity and Waste Management Tariff Policies are attached as Annexure 3.

Credit Control and Debt Collection Policy

This Policy has been formulated in terms of section 96 (b) and 98 of the Local Government: Municipal Systems Act, 2000 and the Credit Control and Debt Collection By-Law.

The Policy also includes the Indigent Policy as per Annexure 3.

2. Budget related policies

The following budget related policies have been approved by Council, or have been reviewed / amended and / or are currently being reviewed / amended, in line with National Guidelines and Legislation.

Rates Policy

The Rates Policy was reviewed by Council on 31 May 2010.

A Rates Policy in accordance with Section 3 of the MPRA is attached as Annexure 4.

Virement Policy

The Virement Policy aims to empower senior managers with an efficient financial- and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and Umsobomvu's system of Delegations. While no limits were placed on the amount of the virement per se, certain limitations are placed in terms of the Municipality's System of Delegation. It furthermore provides for budgetary flexibility to be effected, per motivation and sundry technical and financial stipulations, within votes. The draft virement policy was adopted by Council on 31 May 2010 and is attached as Annexure 5.

8. OVERVIEW OF BUDGET ASSUMPTIONS

The MTREF model, which enables economic forecasts and the eventual medium term fiscal framework, was compiled under harsh external economic conditions. Budgetary constraints and economic challenges meant that the Municipality had to apply a combination of cost-saving interventions and higher than headline CPI revenue increases to ensure and affordable, credible and sustainable budget over the 2010/2011 MTREF.

The biggest challenge this year more so than previous years, is that the Municipality needs to do more within its existing resource envelope. This was reiterated in the NT Budget Circular 51 for the 2010/2011 MTREF.

The Municipality faced the following challenges in preparing the 2010/2011 MTREF:

1. Lower interest earnings due to lower investment balances and lower interest rates on interest earned. Lower interest rates resulted in reduced interest earning on investments (lower than projected interest rate levels and cash balances versus fixed debt servicing obligations.)

The above reductions were applied in a differentiated manner to services, thereby giving effect to the Budget Prioritisation Model and in acknowledgement of the relative contributions of services to Council's core strategies of the IDP and other informants to formulating medium term operations and programmes.

The Budget Steering Committee further placed particular emphasis on the following aspects to influence the outcome of the financial/MTREF scenario's presented to it:

- A differentiated approach to consideration of budgetary amendments across services, thereby giving effect to the strategic intent of the Budget Prioritisation Model;
- Further specific considerations to inform budgetary amendments or allocations were (factors to impact positively on budget allocations):
    - Services which promote external service delivery;
    - Services responsible for improvement to citizens' quality of living environment;
    - Services responsible for hard infrastructure – based economic growth;
    - Services responsible for revenue collection.
- The limited financial resources available for additional allocations meant that few new projects or initiatives were to receive such budgetary allocations.

Financial modelling

In addition to the above, further principles applied to the MTREF in determining the affordability envelope included:

- Higher than headline CPI revenue increases to the extent that they affect and support council's operational activities of relevant services.
- A 100% capital expenditure implementation rate was assumed, based on current spending patterns.
- Credible collection rates, based on collection achievements to date, incorporating improved success anticipated on selected revenue items.
- Higher than nationally projected inflation provisions for repairs and maintenance, to attain nationally benchmarked levels on this expenditure item, and ensure/enhance the preservation of Umsobomvu Municipality's infrastructure

Key Financial Indicators in the MTREF

Headline Consumer Price Index (CPI) – Inflation Outlook

Headline CPI projected over the MTREF is an average of CPI forecasts from various financial Institutions and the Bureau of Economic Research (BER).

The CPI increase for 2009/2010 budget was set at 8%, 2% higher than the inflation target range, to compensate for the low CPI projection in the previous year. CPI projection over the 2010 MTREF is 5.6% for 2010/2011 and 5.8% for the two outer years, thereby remaining within the boundaries of the inflation target range of 3% - 6%, but below the National Treasury's forecasted CPI of 5.7%, 6.2% and 5.9% for 2010/2011, 2011/2012 and 2012/2013 respectively.

EXPENDITURE FRAMEWORK

Salaries, wages and related staff costs

The promulgation of the Salary and Wage Collective Agreement y the South African Local Government Bargaining Council (SALGGC) provided the general salary adjustment guidelines for the period 2009/2010 to 2011/2012. In 2009/2010 a salary increase of 13% (10.5% increase + 2.5% non-pensionable allowance) was affected as per the regulation. The average salary increase over the MTREF was calculated using the methodology as prescribed in the regulation. The salary increase for 2010/2011 was based on the average CPI for the period 1 February 2009 to 31 January 2010, projected figures were used for the months where CPI figures was not yet available, plus 1.5%. the average percentage increase for 2011/2012 was calculated on the same bases except that 2% was added to the average projected CPI figures. In the absence of a formal agreement for 2012/2013 the same methodology was applied as for 2011/2012.

Repairs and maintenance

The national Treasury Municipal Budget Circular 51 for the 2010/2011 MTREF stated, amongst other, that municipalities must "secure the health of their asset base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance". The Umsobomvu Municipality has identified this as an important budget requirement and increased the investment in repairs and maintenance above CPI.

REVENUE FRAMEWORK

Service Growth

The current unstable economic climate prohibited prospects for any major service growth. Growth of 5% in Water and Sewerage resulted from changes in the sliding scales to tariffs, sliding scales and revenue raising interventions. The interventions include, amongst other, the cleaning up of billing data, implementing meter replacement programmes and eliminating faulty meters. Refuse service growth was modelled at 3% for this period, resulting from a combination of population- and Umsobomvu Municipality user-base growth.

Revenue growth parameters: Rates and trading services

To ensure and effective, efficient and well-run town, tariff increases are inevitable. The individual tariff increase proposals will be considered against the backdrop of the overall 'package of tariffs' approach adopted in compiling and evaluating the affordability of the tariffs and charges that make up the total municipal account.

The current financial predicament further impacted on the combination of revenue parameter increases required to ensure an affordable, balanced and sustainable budget over the 2010/2011 MTREF. After considering various scenario outcomes, the following revenue parameter increases were factored into the MTREF model for 2010/2011:

- *Rates:* With the backdrop of the current economic climate and other cost pressures negatively impacting the budget, the rates revenue increase was modelled at 7.73%. This above-CPI increase was required to achieve an affordable and balanced rates budget without impeding on service delivery.

- *Electricity:* The initial Electricity revenue parameter was based on the draft Eskom Multi Year Price Determination (MYPD) that proposed an annual 35% increase over the period 2010/2011 – 2012/2013. To ensure affordability to the Umsobomvu Municipality customers the municipality's parameter increase were set at 29%, 6%lower than the Eskom proposed increase. As a consequence the utility will not be able to fund all infrastructure needs in 2010/2011 and a number of projects will therefore be postponed to future years.

  Subsequent to the approval of the MTREF parameters by Council the Electricity service's revenue estimations were amended based on the NERSA statement on Eskom's proposed tariff increases; i.e. 24.8%, 25.1% and 25.9% for the financial years respectively. The Municipality subsequently amended its revenue parameter to 24.6% for 2010/2011.

- *Refuse Removal:* This revenue parameter increase was modelled at 18%; the increase is as a result of the impact of the higher disposal tariff and to ensure adequate service delivery levels in future.

- *Water and Sanitation:* The revenue parameter adjustment for both water and sanitation was modelled at 10% for 2010/2011. Even though the revenue parameter increase is higher than CPI, it afforded water and sanitation with limited scope for new initiatives. It thus meant that certain projects were delayed for implementation in future years. Further justification of these proposals is outlined under the various services chapters below.

Collection rate

In accordance with relevant legislation and national directives, the Umsobomvu Municipality's projected revenue recovery rates are based on realistic and sustainable trends. The Municipality's projected collection ratios are as per the table below.

The total collection rate for 2010/2011 is projected at an average of 80% and is based on actual collection rates achieved to date, and the estimated outcomes for the current financial period. This meant that the Municipality's provision for non-recovery, i.e. provision for bad debt, had to increase, contributing to the strain on the Municipality's budget. Special provision is made to cater for the affect of a programme for the poor. **National Grants**

Equitable Share

The Constitution provides that each sphere of government is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it. The equitable division of revenue takes into account the functions assigned to each sphere under the Constitution and the capacity of each government to pay for these functions through own receipts and revenues.

The local government equitable share allocations supplement municipalities' own revenue sources for the provision of basic services to poor households within their areas of jurisdiction.

Initiatives are currently being pursued to assess the application of the equation for the Umsobomvu Municipality to ensure that the allocation received by the Municipality is equitable and fair. The annual Division of Revenue Act (DORA) publishes the equitable share allocations. The following indicative allocations, as published in the 2010/2011 Division of Revenue Bill, were modelled:

2010/2011 – R23 637 000

2011/2012 – R26 661 000

2012/2013 – R29 291 000

Interest rates

The interest projection over the 2010/2011 MTREF placed further pressure on the Municipality's budget. The interest rate on short term borrowing grew from 10.5% to 12.08% over the last year, increasing interest expenditure by 1.58%. It is further projected to increase by an average of 0.32% over the MTREF as it is assumed that the average prime rate will stabilize over the MTREF. On the other hand, interest on investment has declined by 3.43% since last year, reducing interest income from 10.7% to 7.27%. It is expected to increase by an average of 0.32% over the MTREF.

Major parameters

The following table summarises the major parameters applied to the MTREF modelling, which informed the detailed compilation of the Municipality's 2010/2011 – 2012/2013 budgets:

	2010/2011	2011/2012	2012/2013
	%	%	%
CPI	5.7	6.2	5.9
COLLECTION RATES			
Rates	90	91	92
Electricity	96	96	96
Water	78	80	85
Sanitation	78	80	85
Refuse Removal	78	80	85
EXPENDITURE PARAMETERS:			
Salary Increase (SALGA agreement)	8.48	7.78	7.78
Increment provision	2	2	2
Repairs & Maintenance	20	8	6
Interest paid	5	6	7
OTHER:			
Equitable Share Allocation	R24m	R27m	R29m

Table 12 Summary of major parameters

Fiscal Overview

1. 2009/2010 and 2010/2011 to 2012/2013 projected financial performance

1.1 Operating Budget

The operating budget increased from R57 million in 20092010 to R 65 million in 2010/2011, R72 million in 2011/2012 and R78 million in 2012/2013 respectively. The growth is mainly attributable to:

- Repairs and Maintenance (Primary) of Infrastructure
- Indigent Relief – additional allocations on free basic services to the Informal Settlement areas
- Higher than inflation increases to major expenditure components, such as the staff budget (salary level increases) and a rising interest payable commitment.

1.2 Capital Budget

The capital budget decreased from R 28 million in 2009/2010 to R20 million in 2010/2011. The main contributing factor to this decrease is as a result of the allocation from National Grants.

2. Medium Term Outlook: 2010/2011 to 2011/2012

Operating Budget

The ensuing table reflects the increases in the operating budget in the medium term:

	2010/2011 R'000	2011/2012 R'000	2012/2013 R'000
Operating Budget	65 146	71 982	78 134

Table13 Medium term operating Budget

Capital Budget

The ensuing table reflects the capital budget as well as the funding sources in the medium term:

	2010/2011 R'000	2011/2012 R'000	2012/2013 R'000
Capital Budget	19 893	44 527	47 590
Funded as follows:			
National Grant Funding	9 293	11 177	13 590
Provincial Grant Funding	10 280	33 350	34 000
Other Grant Funding	320		

Table 14: Medium Term Capital Budget and Funding Sources

The funding sources listed below are appropriated towards the following major projects on the capital budget:

National Grant funded

- Municipal Infrastructure projects to improve bulk infrastructure in support of housing opportunities

Provincial Grant funded

- Municipal Infrastructure projects to improve bulk infrastructure in support of housing opportunities

3. Sources of funding

Rates, tariffs and other charges

Property Tax Rates

The proposed property rates are to be levied in accordance with existing Council policies unless otherwise indicated and both the Local Government Municipal Property Rates Act 2004 (MPRA) and the Local Government Municipal Finance Management Act 2003.

A Rates Policy was reviewed by Council in May 2010. The proposed average rates increase is 5.33% for all categories of properties.

Property tax rates are based on values indicated in the General Valuation Roll 2009 (GV). The Roll is updated for properties affected by land sub-divisions, alterations to buildings, demolitions and new buildings (improvements) through supplemental Valuation Rolls. All values are as at the date of the GV, being July 2009.

Rebates and concessions are granted to certain categories of property usage and/or property owner.

The definitions and listing of categories are reflected in the Rates Policy attached as Annexure 4.

Water and Sanitation

The proposed Water and Sanitation Tariffs for 2010/2011 are consistent with National Policy on the provision of free basic services, the National Strategic Framework for Water and Sanitation and with Council's Indigent relief measures, Rates and Tariff Policies and Equitable Service Framework. The tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the service.

The multi-year programme for the eradication of bucket toilets still in service in the informal settlements as well as the provision of an acceptable basic level of sanitation service to these settlements is still on track for achieving by 2011/2012.

The progressive nature of the existing domestic stepped tariff structure for water is pro-poor and allows for the needs of the indigent.

The tariff step structure from the 2009/2010 financial year amended as follows:

- The range of more than 30kl to 50kl tariff is narrowed down to more than 20kl to 30kl.
- The range of more than 50 to 80kl tariff is narrowed down to more than 30kl to 50kl to further drive water saving for the high consumption user.

In total the proposed Tariffs and Rates are cost-reflective and will provide the income to cover the costs of Water and Sanitation during the 2010/2011 financial year.

Electricity

The proposed revisions to the tariffs have been formulated in accordance with the Municipality of Umsobomvu Tariff and Rates Policy and comply with Section 74 of the Municipal Systems Act (MSA) as well as the recommendations of the National Energy Regulator of South Africa (NERSA).

The Electricity Regulation Act requires that proposed revisions to the electricity consumption based tariffs be submitted to the Regulator for approval prior to implementation. Provisional approval will therefore be requested with the express proviso that any alterations required by Council will be submitted to the Regulator as soon as possible.

Guidelines for the municipal electricity tariff increase in July were issued by NERSA as being 15.33%. However, the bulk purchases increase to the Municipality is budgeted to be 29%. This increase, together with increases in expenditure on Salaries and Wages, Repairs and Maintenance, contributions to the Rate Account require the electricity tariffs to increase by an average of 18%.

Solid Waste Management

The Solid Waste Tariffs are levied to recover costs of services provided directly to customers and include collection fees, disposal fees, compost sales, clearance of illegal dumping on private properties and other ad hoc services. The Collections Tariffs (Consumptive and Sundry) increase was approved by 3% for residential and 6% for Business users.

Tariffs

Council is permitted to levy rates, tariffs, fees and charges in accordance with the Local Government Municipal Property Rates Act, the Local Government: Municipal Systems Act, Act 32 of 2000, Section 75A and the Municipal Finance management Act, No. 56 of 2003, 17 (a)(ii).

The Tariffs and Charges is attached as Annexure 6 and contains all levies, rates and service charges determined for all functions or services performed by the municipality for which a charge is made.

A growth parameter of an average of 5% was applied to all the miscellaneous tariffs. .

All Levies, Rates and Service Charges are determined in compliance with:

Local Government Municipal Property Rates Act 2004

Municipal Finance Management Act 56 of 2003

4. Investments

Monetary investments by type

NC072 Umsobomvu - Supporting Table SA15 Investment particulars by type

Investment type R thousand	Ref	2006/7 Audited Outcome	2007/8 Audited Outcome	2008/9 Audited Outcome	Current Year 2009/10 Original Budget	 Adjusted Budget	 Full Year Forecast	2010/11 Medium Term Revenue & Expenditure Framework Budget Year 2010/11	 Budget Year +1 2011/12	 Budget Year +2 2012/13
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		631	691	600	600	600	600	500	500	500
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	631	691	600	600	600	600	500	500	500
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		–	–	–	–	–	–	–	–	–
Consolidated total:		631	691	600	600	600	600	500	500	500

Table 15: Monetary investments by type (Support Table A15)

Monetary investments by maturity date

NC072 Umsobomvu - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity Name of institution & investment ID	Ref 1	Period of Investment Yrs/Months	Type of Investment	Expiry date of investment	Monetary value Rand thousand	Interest to be realised
Parent municipality						
ABSA		32 DAYS	32 DAYS	various	219	
STANDARD		32 DAYS	32 DAYS	various	258	
FNB		32 DAYS	32 DAYS	various	23	
Municipality sub-total					500	–
Entities						
Entities sub-total					–	–
TOTAL INVESTMENTS AND INTEREST	1				500	–

Table16: Monetary investments by maturity date (Support Table A16)

5. Cash backed accumulated surplus

Cash backed accumulated revenue surpluses are used to provide working capital and to temporarily fund capital expenditure in advance of external loan drawdowns. Operational cash flow deficits and surpluses are forecasted and managed on a daily basis within available cash resources and banking facilities.

All statutory funds and reserves, including unspent grants, are fully cash backed. Non-statutory reserves, including the Capital Replacement Reserve, are also fully cash backed. Long term provisions are cash backed to the extent that actual expenditure is projected for the budget year.

6. Grant allocations

National Allocations

The table below reflects the grant allocations in terms of the 2010 Division of Revenue Act that have been included in this medium term budget:

Grant	2010/2011 R'000	2011/2012 R'000	2012/2013 R'000
Equitable Share	23 637	26 661	29 291
Finance Management Grant	1 200	1 450	1 500
Municipal Systems Improvement Grant	750	790	800
Municipal Infrastructure Grant	9 782	11 765	14 305
INEP	280	350	

Table 18: National Allocations

Provincial Allocations

The table below reflects the grants allocated in terms of the Provincial Gazette 6703 (dated 02 March 2010) that have been included in this medium term budget:

Grant	2010/2011 R'000	2011/2012 R'000	2012/2013 R'000
Bulk Water Infrastructure	10 000	33 000	34 000
Library Development Programme	372	389	

Note: At the time of compiling this document some projects were still to be identified by the PG:NC and therefore not included in the Budget documentation.

Table 19: Provincial allocations

10. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

NC072 Umsobomvu - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		17,233	15,583	15,922	39,280	47,122	47,122	45,419	73,643	79,896
Equitable share		9,485	11,507	14,550	18,589	18,948	18,948	23,637	26,638	29,291
Finance Management		224	191	637	1,000	1,000	1,000	1,250	1,450	1,500
Municipal Systems Improvement		786	702	735	850	850	850	750	790	800
Department of Water Affairs					10,000	12,681	12,681	10,000	33,000	34,000
Municipal Infrastructure(MIG)		6,738	3,183	–	8,841	13,643	13,643	9,782	11,765	14,305
Provincial Government:		–	284	319	345	345	345	372	389	–
Health subsidy										
Library Development			284	319	345	345	345	372	389	
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	280	280	280	280	350	–
INEP			–		280	280	280	280	350	–
Total operating expenditure of Transfers and Grants:		17,233	15,867	16,241	39,905	47,747	47,747	46,071	74,382	79,896
Capital expenditure of Transfers and Grants										
National Government:		–	–	–	–	–	–	–	–	–
Municipal Infrastructure (MIG)										
Water Affairs										
Other capital transfers/grants [insert desc]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
INEP										
Total capital expenditure of Transfers and Grants		–	–	–	–	–	–	–	–	–
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		17,233	15,867	16,241	39,905	47,747	47,747	46,071	74,382	79,896

Table 20 Expenditure on allocations and grant programmes (Support Table A19)

11. ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Municipality do not make allocations.

12. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

NC072 Umsobomvu - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2010/11												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Cash Receipts By Source													1		
Property rates	253	253	311	253	253	253	253	253	253	253	253	247	3,088	3,727	3,626
Property rates - penalties & collection charges	2	2	2	2	2	2	2	2	2	2	2	2	20	20	20
Service charges - electricity revenue	1,300	1,300	1,300	1,300	1,100	1,100	1,300	1,100	1,100	1,100	1,200	1,618	14,818	17,427	20,696
Service charges - water revenue	505	505	505	545	526	526	526	526	526	526	526	560	6,302	8,078	9,560
Service charges - sanitation revenue	330	330	330	330	330	330	330	330	330	330	330	330	3,962	5,077	5,499
Service charges - refuse revenue	267	267	267	267	267	267	267	267	267	267	267	267	3,198	4,108	4,481
Service charges - other	13	13	13	13	13	13	13	13	13	13	13	13	160	223	185
Rental of facilities and equipment	3	3	3	3	3	3	3	3	3	3	3	3	41	43	45
Interest earned - external investments	1	1	1	1	1	1	1	1	1	1	1	1	12	51	12
Interest earned - outstanding debtors	72	72	72	72	72	72	72	72	72	72	72	72	860	958	937
Dividends received												–			
Fines	167	167	167	167	167	200	167	167	167	200	167	102	2,007	2,109	2,217
Licences and permits	24	24	24	24	24	24	24	24	24	24	24	24	285	300	315
Agency services												–			
Transfer receipts - operational	11,799	372			7,879				5,909			(0)	25,959	29,290	30,541
Other revenue			5	3	234	3	3	3	234	3	3	1	489	571	
Cash Receipts by Source	14,736	3,309	3,000	2,979	10,871	2,793	2,960	2,760	8,901	2,793	2,860	3,239	61,201	71,982	78,134
Other Cash Flows by Source															
Transfer receipts - capital	170	1,929	1,929	2,079	1,929	1,929	1,929	1,929	1,929	1,929	1,929	283	19,893	44,527	47,590
Contributions recognised - capital & Contributed assets												–			
Proceeds on disposal of PPE												–			
Short term loans												–			
Borrowing long term/refinancing												–			
Increase (decrease) in consumer deposits												–			
Decrease (Increase) in non-current debtors												–			
Decrease (increase) other non-current receivables												–			
Decrease (increase) in non-current investments												–			
Total Cash Receipts by Source	14,906	5,238	4,929	5,058	12,800	4,722	4,889	4,689	10,830	4,722	4,789	3,522	81,094	116,509	125,724
Cash Payments by Type															
Employee related costs	2,127	2,127	2,127	2,127	2,127	2,127	2,127	2,127	2,127	2,127	2,127	2,154	25,551	25,145	28,433
Remuneration of councillors	194	194	194	194	194	194	194	194	194	194	194	253	2,386	2,508	2,636
Collection costs	2	2	2	2	2	2	2	2	2	2	2	2	27	28	30
Interest paid	41	41	41	41	41	41	41	41	41	41	41	41	489	521	561
Bulk purchases - Electricity	1,178	1,178	1,178	1,178	699	699	699	699	699	699	699	748	10,352	13,000	16,367
Bulk purchases - Water & Sewer	22	22	22	22	22	22	22	22	22	22	22	23	267	281	303
Other materials												–			
Contracted services	42	42	42	42	42	42	42	42	42	42	42	42	500	420	526
Grants and subsidies paid - other municipalities												–			
Grants and subsidies paid - other												–			
General expenses	2,016	2,016	2,016	2,016	2,016	2,016	2,016	2,016	2,016	2,016	2,016	2,016	24,192	28,642	27,756
Cash Payments by Type	5,622	5,622	5,622	5,622	5,143	5,143	5,143	5,143	5,143	5,143	5,143	5,278	63,764	70,545	76,612
Other Cash Flows/Payments by Type															
Capital assets	170	1,929	1,929	2,079	1,929	1,929	1,929	1,929	1,929	1,929	1,929	283	19,893	44,527	47,590
Repayment of borrowing	90	90	90	90	90	90	90	90	90	90	90	90	1,082	1,137	1,223
Other Cash Flows/Payments											300	–	300	300	300
Total Cash Payments by Type	5,882	7,641	7,641	7,791	7,162	7,162	7,162	7,162	7,162	7,162	7,462	5,651	85,039	116,509	125,724
NET INCREASE/(DECREASE) IN CASH HELD	9,024	(2,403)	(2,712)	(2,733)	5,638	(2,440)	(2,273)	(2,473)	3,668	(2,440)	(2,673)	(2,129)	(3,945)	(1)	(1)
Cash/cash equivalents at the month/year begin:		9,024	6,621	3,909	1,176	6,814	4,374	2,101	(371)	3,297	857	(1,816)	–	(3,945)	(3,945)
Cash/cash equivalents at the month/year end:	9,024	6,621	3,909	1,176	6,814	4,374	2,101	(371)	3,297	857	(1,816)	(3,945)	(3,945)	(3,945)	(3,946)

Table 21: Monthly targets for revenue and cash flow (Support table A30)

NC072 Umsobomvu - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1. Rand per annum	Ref	No. 10	Salary	Contrib. 1.	Allowances	Performance Bonuses	In-kind benefits 2.	Total Package 3.
Councillors	4							
Speaker	5	1	584,762		18,383			603,145
Chief Whip								–
Executive Mayor								–
Deputy Executive Mayor								–
Executive Committee								–
Total for all other councillors		9	1,578,849		103,221			1,682,070
Total Councillors	9	10	2,163,611	–	121,604			2,285,215
Senior Managers of the Municipality	6							
Municipal Manager (MM)		1	822,296			63,744		886,040
Chief Finance Officer		1	657,836			50,995		708,831
Deputy City Manager - Governance								–
Deputy City Manager - Procurement & Infrastructure		1	657,836			50,995		708,831
Deputy City Manager - Health, Safety & Social Issues		1	606,219			46,994		653,213
Deputy City Manager - Corporate & Human Resources		1	611,941			48,533		660,474
List of each offical with packages >= senior manager								
Head: Internal Audit & Performance Management								–
Head: Geographical Information & Policy								–
Head Office of Intergovernmental & Governance Relations								–
Total Senior Managers of the Municipality	9	5	3,356,128	–	–	261,261	–	3,617,389
A Heading for Each Entity	7, 8							
List each member of board by designation								
Chief Executive Officer (CEO)								–
								–
Total for municipal entities	9	–	–	–	–	–	–	–
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION		15	5,519,739	–	121,604	261,261	–	5,902,604

Table 22: Salaries, allowances & benefits (political office bearers/councilors/senior managers)(Support Table A23)

NC072 Umsobomvu - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Salary		1,729	1,477	1,593	2,013	2,269	2,269	2,164	2,274	2,390
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowance		89	95	105	106	110	110	122	128	134
Housing allowance										
Other benefits or allowances		182	219	152	97	104	104	101	106	111
In-kind benefits										
Sub Total - Councillors		1,999	1,791	1,850	2,215	2,483	2,483	2,386	2,508	2,636
% increase	4		(10.4%)	3.3%	19.8%	12.1%	–	(3.9%)	5.1%	5.1%
Senior Managers of the Municipality	2									
Salary		1,245	1,540	2,369	3,087	3,087	3,087	3,356	3,625	3,809
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance			401							
Cell phone allowance			12							
Housing allowance			36							
Performance Bonus					270	270	270	261	282	297
Other benefits or allowances										
In-kind benefits										
Sub Total - Senior Managers of Municipality		1,245	1,989	2,369	3,357	3,357	3,357	3,617	3,907	4,106
% increase	4		59.8%	19.1%	41.7%	–	–	7.8%	8.0%	5.1%
Other Municipal Staff										
Basic Salaries and Wages		7,722	8,278	10,309	14,201	13,130	13,130	16,313	15,281	17,973
Pension Contributions		1,377	1,464	1,825	2,522	1,758	1,758	2,525	2,557	2,840
Medical Aid Contributions		339	395	384	490	439	439	531	550	599
Motor vehicle allowance		687	412	1,029	837	837	837	168	360	180
Cell phone allowance										
Housing allowance		15	39	80	40	74	74	19	77	73
Overtime		632	741	829	662	590	590	584	622	665
Performance Bonus		579	631	935	1,097	1,168	1,168	1,596	1,607	1,795
Other benefits or allowances		352	308	580	422	422	422	197	174	203
In-kind benefits										
Sub Total - Other Municipal Staff		11,704	12,268	15,971	20,272	18,418	18,418	21,933	21,228	24,328
% increase	4		4.8%	30.2%	26.9%	(9.1%)	(0.0%)	19.1%	(3.2%)	14.6%
Total Parent Municipality		14,948	16,047	20,190	25,844	24,258	24,258	27,936	27,643	31,069
			7.4%	25.8%	28.0%	(6.1%)	(0.0%)	15.2%	(1.1%)	12.4%
Board Members of Entities										
Salary										
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowances										
Housing allowance										
Board Fees										
Other benefits and allowances										
In-kind benefits										
Sub Total - Board Members of Entities		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–
Senior Managers of Entities										
Salary										
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowances										
Housing allowance										
Performance Bonus										
Other benefits or allowances										
In-kind benefits										
Sub Total - Senior Managers of Entities		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–
Other Staff of Entities										
Basic Salaries and Wages										
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowances										
Housing allowance										
Overtime										
Performance Bonus										
Other benefits or allowances										
In-kind benefits										
Sub Total - Other Staff of Entities		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–
Total Municipal Entities		–	–	–	–	–	–	–	–	–
TOTAL SALARY, ALLOWANCES & BENEFITS		14,948	16,047	20,190	25,844	24,258	24,258	27,936	27,643	31,069
% increase	4		7.4%	25.8%	28.0%	(6.1%)	(0.0%)	15.2%	(1.1%)	12.4%
TOTAL MANAGERS AND STAFF	5	12,949	14,257	18,340	23,629	21,775	21,775	25,550	25,135	28,434

Table 23: Councillor and board member allowances and employee benefits (Support Table A22)

14. ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS – INTERNAL DEPARTMENTS

In terms of Section 53 (1) (c) (ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) is defined as a detailed plan approved by the mayor of a municipality for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate the following –

(a) Projections for each month of
    - Revenue to be collected, by source; and
    - Operational and capital expenditure, by vote.
(b) Service delivery targets and performance indicators for each quarter, and
(c) Other matters prescribed.

The Mayor, in accordance with Section 53 of the MFMA, is expected to approve the SDBIP within 28 days after the approval of the budget. In addition, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators as set out in the SDBIP are made public within 14 days after its approval.

The SDBIP gives effect to the Integrated Development Plan and the budget of the municipality. It is an expression of the objectives of the Municipality in quantifiable outcomes which will be implemented by the administration for the financial period from 1 July 2010 to 30 June 2011 (the Municipality's financial year). It includes the service delivery targets and performance indicators for each quarter which should be linked to the performance agreements of senior management. It therefore facilitates oversight over financial and non-financial performance of the municipality and allows the Municipal Manager to monitor the performance of the Section 57 Managers, the Mayor/Council to monitor the performance of the Municipal manager, and the Community to monitor the performance of the Municipality Government.

The SDBIP for the 2010/2011 financial year was approved by the Mayor in June 2010 following approval of the Budget.

15. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

No contracts

16. ANNUAL BUDGETS AND SERVICE DELIVERY AGREEMENTS (SDA) – MUNICIPAL ENTITIES

No entities

17. RECONCILIATION OF IDP STRATEGIC OBJECTIVES AND CAPITAL BUDGET

NC072 Umsobomvu - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Basic Services	Provision of Basic services: Water	A		329	64		10,000	12,681	12,681	19,293	44,177	47,590
	Electricity	A		110	307	–	280	280	280	280	350	–
	Waste Water Treatment: Sewerage	A		–	2,123	137	8,841	13,957	13,957	–	–	–
	Eradication of backlogs in infrastructure	A		110	2,573	310						
Municipal Institutional Development and Transformation	Social Services	B		–	–	–	1,080	1,080	1,080	150	–	–
Local Economic Development	Tourism	C										
Municipal Financial Viability and Management	To effectively manage the revenue and expenditure functions of the municipality	D		6	415	–	–	–	–	158	–	–
Good Governance and Public Participation	Council	E		–		–	–	–	–	12	–	–
		I										
		J										
		K										
		L										
		M										
		N										
		O										
		P										
		Q										
			1	555	5,482	447	20,201	27,998	27,998	19,893	44,527	47,590

Table 24: Reconciliation of IDP strategic objectives and budget (capital expenditure) (Support Table A6)

1. **Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:**

- **Budget and Treasury Office**
  A budget and Treasury office has been established in accordance with the MFMA.

- **Budgeting**
  The annual budget is prepared in accordance with the requirements prescribed by National Treasury and the MFMA.

- **Financial Reporting**
  100% compliance with regards to monthly, quarterly and annual reporting to the Mayor, Council, Provincial and National Treasury.

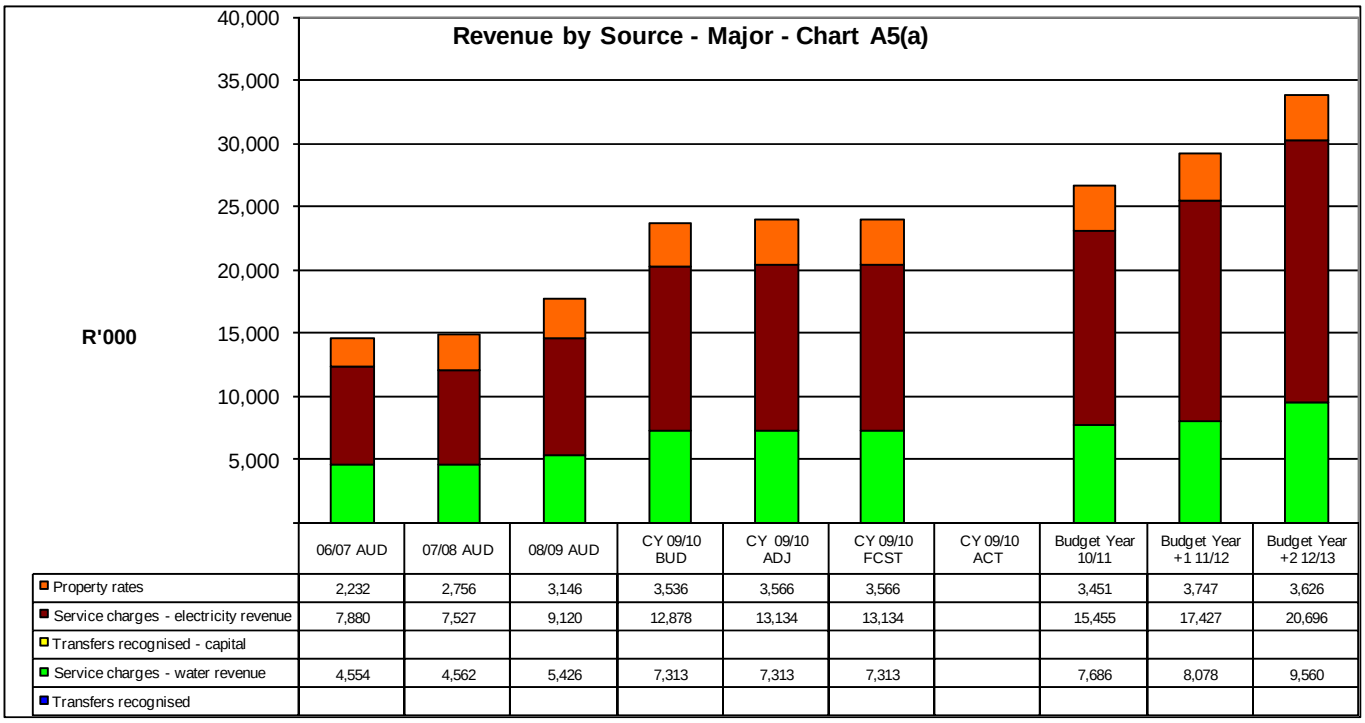
- **Annual Report**
  The annual report is prepared in accordance with the MFMA and National Treasury requirements.

- **Internship Programme**
  Umsobomvu in participating in the Municipal Financial Management Internship Programme has employed a number of interns undergoing training in various finance departments.

NC072 Umsobomvu - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

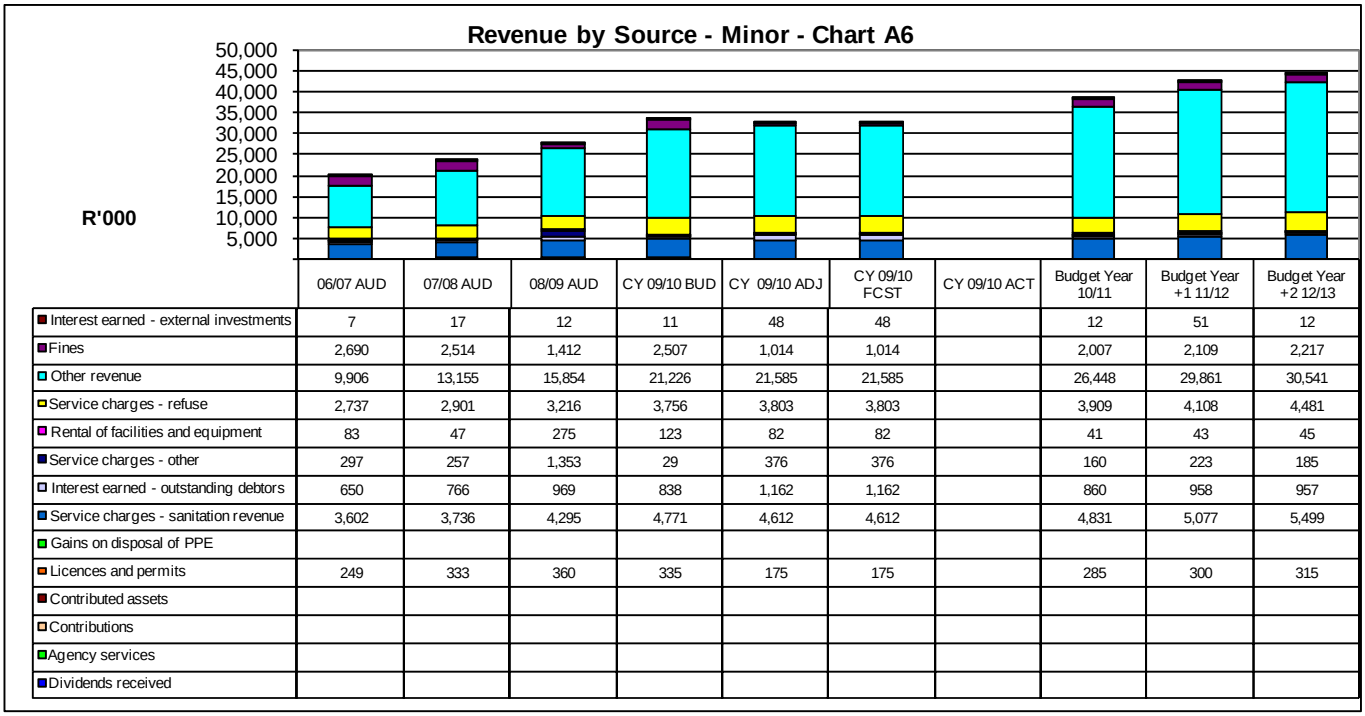
Description	Ref	Vote1 - Executive & Council	Vote2 - Finance & Administration	Vote3 - Community Services	Vote4 - Technical Services	Example 5 - Vote5	Example 6 - Vote6	Example 7 - Vote7	Example 8 - Vote8	Example 9 - Vote9	Example 10 - Vote10	Example 11 - Vote11	Example 12 - Vote12	Example 13 - Vote13	Example 14 - Vote14	Example 15 - Vote15	Total
R thousand	1																
Revenue By Source																	
Property rates			3,431														3,431
Property rates - penalties & collection charges			20														20
Service charges - electricity revenue					15,107												15,107
Service charges - water revenue					7,686												7,686
Service charges - sanitation revenue					4,831												4,831
Service charges - refuse revenue				3,909													3,909
Service charges - other			109														109
Rental of facilities and equipment			41														41
Interest earned - external investments			12														12
Interest earned - outstanding debtors				148	713												861
Dividends received																	–
Fines				2,007													2,007
Licences and permits				285													285
Agency services																	–
Other revenue		23,637	1,950	383	528												26,499
Transfers recognised - operational																	–
Gains on disposal of PPE																	–
Total Revenue (excluding capital transfers and contributio		23,637	5,562	6,732	28,865	–	–	–	–	–	–	–	–	–	–	–	64,797
Expenditure By Type																	
Employee related costs		2,010	7,784	5,721	10,009												25,524
Remuneration of councillors		2,327															2,327
Debt impairment																	–
Depreciation & asset impairment																	–
Finance charges					1,571												1,571
Bulk purchases					10,290												10,290
Other materials																	–
Contracted services			500														500
Transfers and grants																	–
Other expenditure		10,090	3,900	2,129	8,465												24,584
Loss on disposal of PPE																	–
Total Expenditure		14,427	12,184	7,850	30,335	–	–	–	–	–	–	–	–	–	–	–	64,796
Surplus/(Deficit)		9,210	(6,622)	(1,118)	(1,470)	–	–	–	–	–	–	–	–	–	–	–	0
Transfers recognised - capital																	–
Contributions recognised - capital																	–
Contributed assets																	–
Surplus/(Deficit) after capital transfers & contributions		9,210	(6,622)	(1,118)	(1,470)	–	–	–	–	–	–	–	–	–	–	–	0

Table 25: Financial Performance Budget (Revenue source/expenditure type & dept.) (Support Table A2)



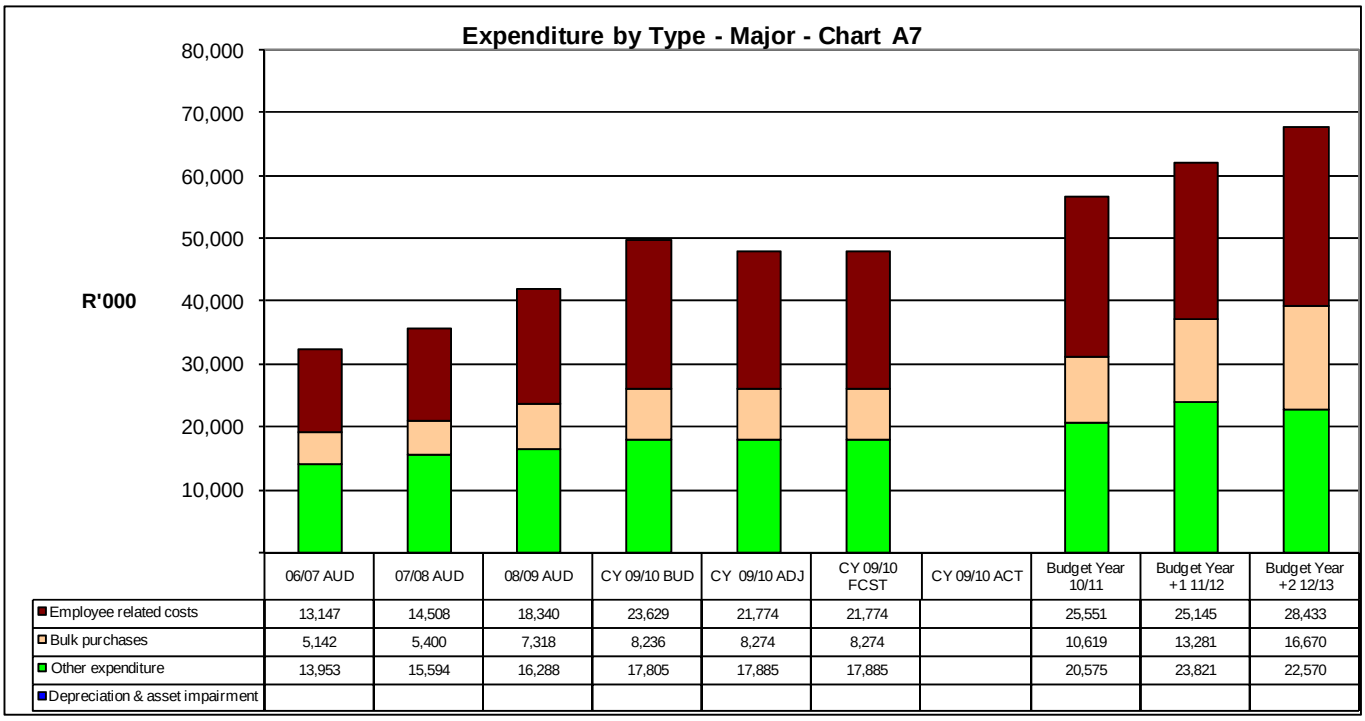
	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
Property rates	2,232	2,756	3,146	3,536	3,566	3,566		3,451	3,747	3,626
Service charges - electricity revenue	7,880	7,527	9,120	12,878	13,134	13,134		15,455	17,427	20,696
Transfers recognised - capital										
Service charges - water revenue	4,554	4,562	5,426	7,313	7,313	7,313		7,686	8,078	9,560
Transfers recognised										

Figure 2: Revenue by major source



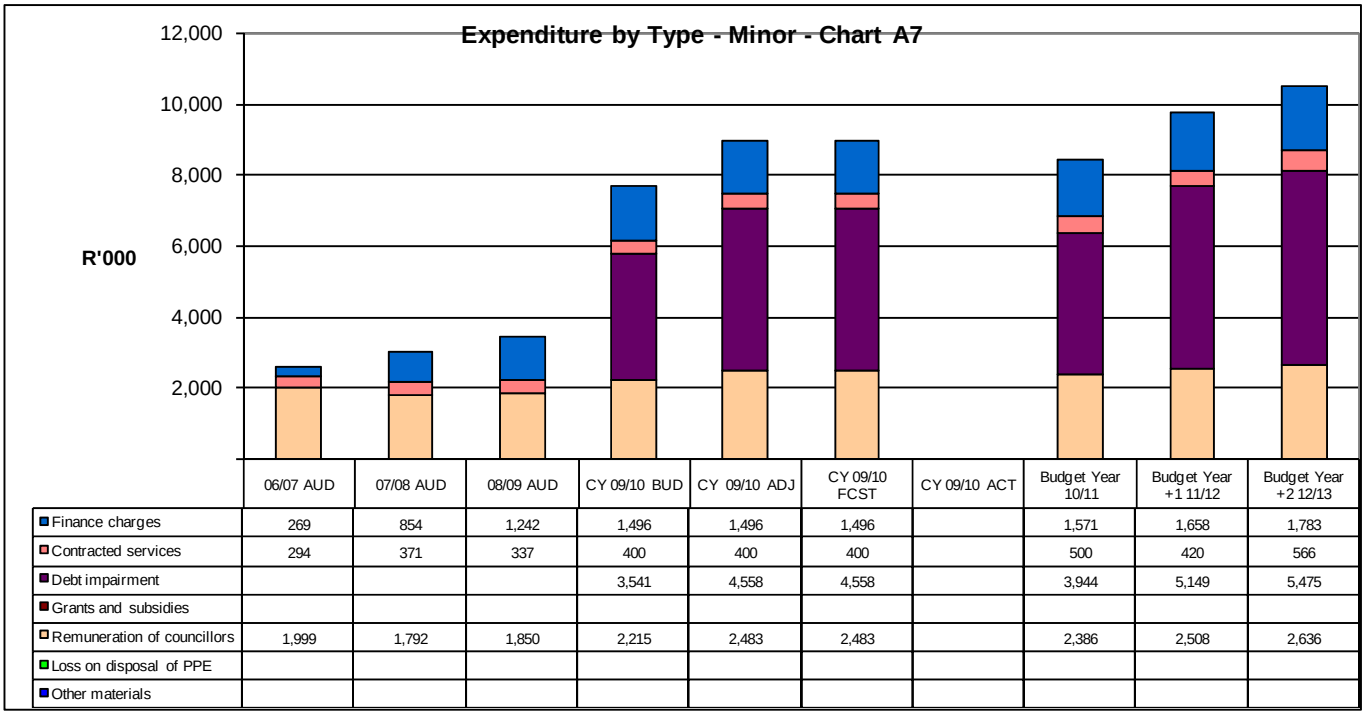
	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
Interest earned - external investments	7	17	12	11	48	48		12	51	12
Fines	2,690	2,514	1,412	2,507	1,014	1,014		2,007	2,109	2,217
Other revenue	9,906	13,155	15,854	21,226	21,585	21,585		26,448	29,861	30,541
Service charges - refuse	2,737	2,901	3,216	3,756	3,803	3,803		3,909	4,108	4,481
Rental of facilities and equipment	83	47	275	123	82	82		41	43	45
Service charges - other	297	257	1,353	29	376	376		160	223	185
Interest earned - outstanding debtors	650	766	969	838	1,162	1,162		860	958	957
Service charges - sanitation revenue	3,602	3,736	4,295	4,771	4,612	4,612		4,831	5,077	5,499
Gains on disposal of PPE										
Licences and permits	249	333	360	335	175	175		285	300	315
Contributed assets										
Contributions										
Agency services										
Dividends received										

Figure 3: Revenue by minor source



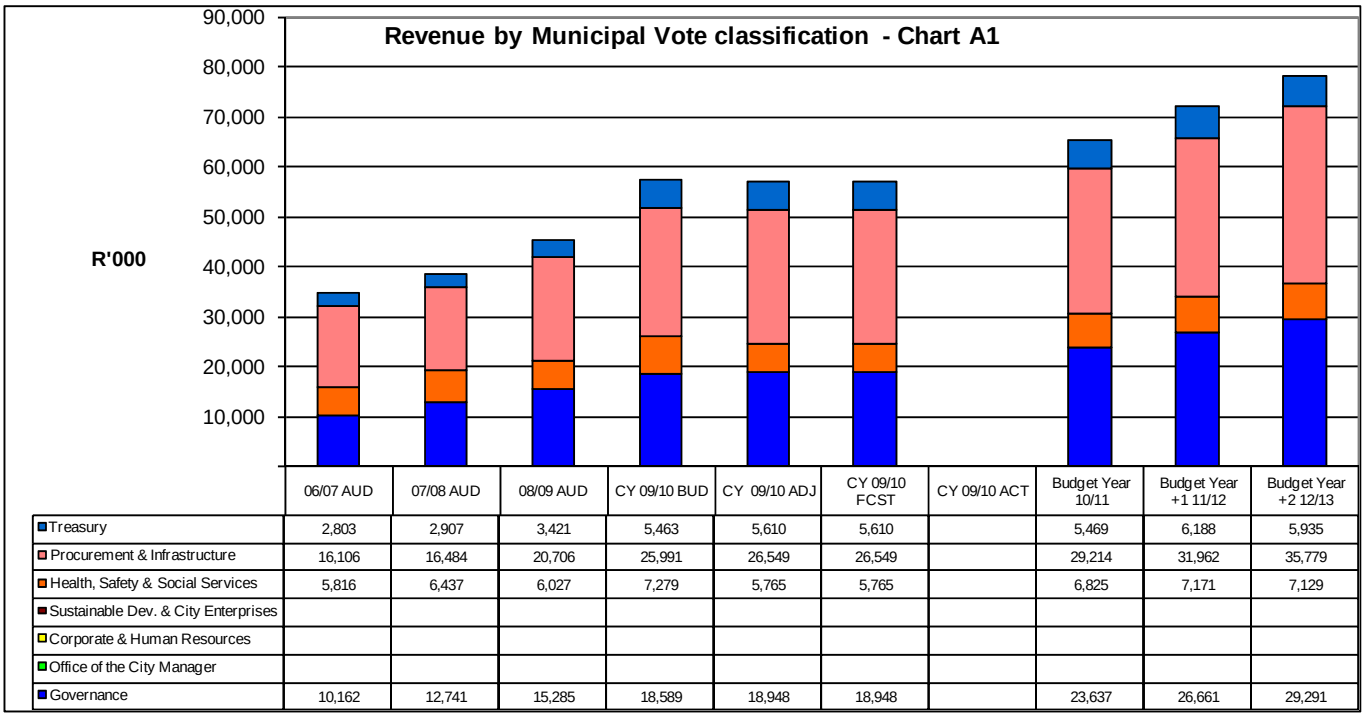
	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
Employee related costs	13,147	14,508	18,340	23,629	21,774	21,774		25,551	25,145	28,433
Bulk purchases	5,142	5,400	7,318	8,236	8,274	8,274		10,619	13,281	16,670
Other expenditure	13,953	15,594	16,288	17,805	17,885	17,885		20,575	23,821	22,570
Depreciation & asset impairment										

Figure 4: Operating expenditure by major type



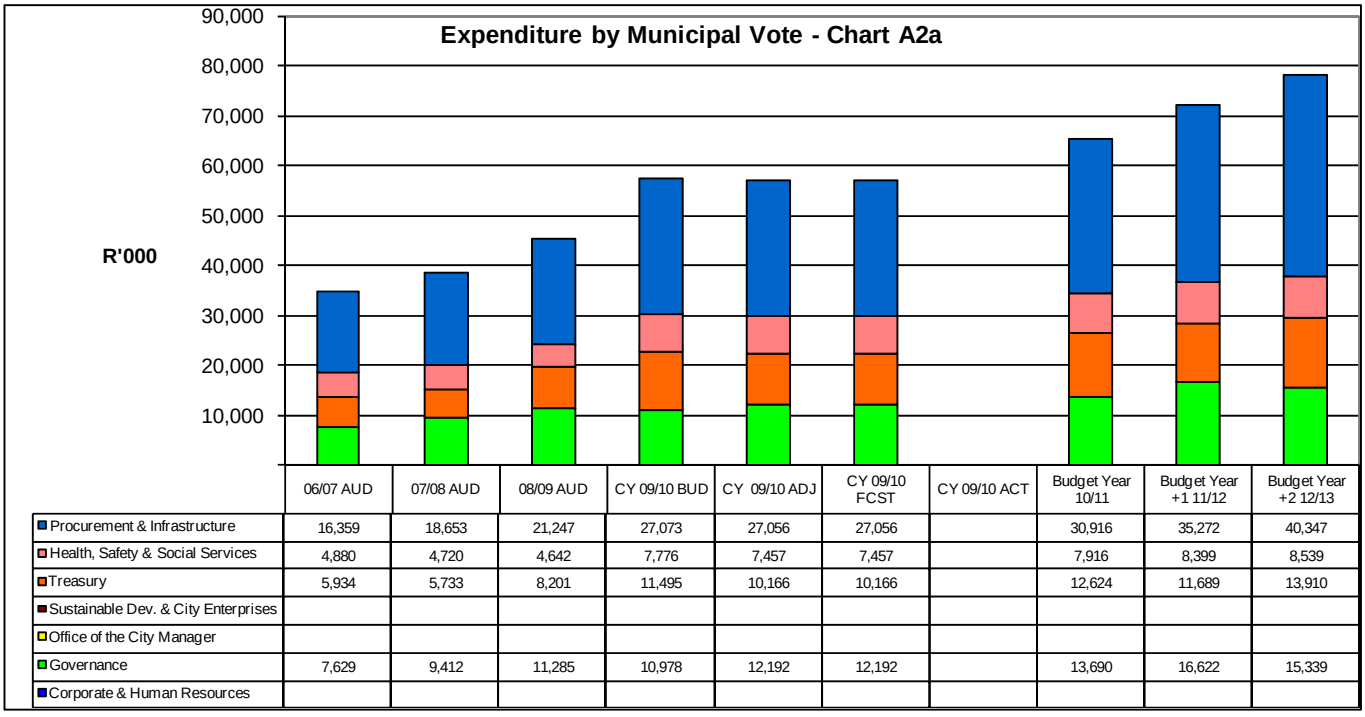
	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
Finance charges	269	854	1,242	1,496	1,496	1,496		1,571	1,658	1,783
Contracted services	294	371	337	400	400	400		500	420	566
Debt impairment				3,541	4,558	4,558		3,944	5,149	5,475
Grants and subsidies										
Remuneration of councillors	1,999	1,792	1,850	2,215	2,483	2,483		2,386	2,508	2,636
Loss on disposal of PPE										
Other materials										

Figure 5: Operating expenditure by minor type



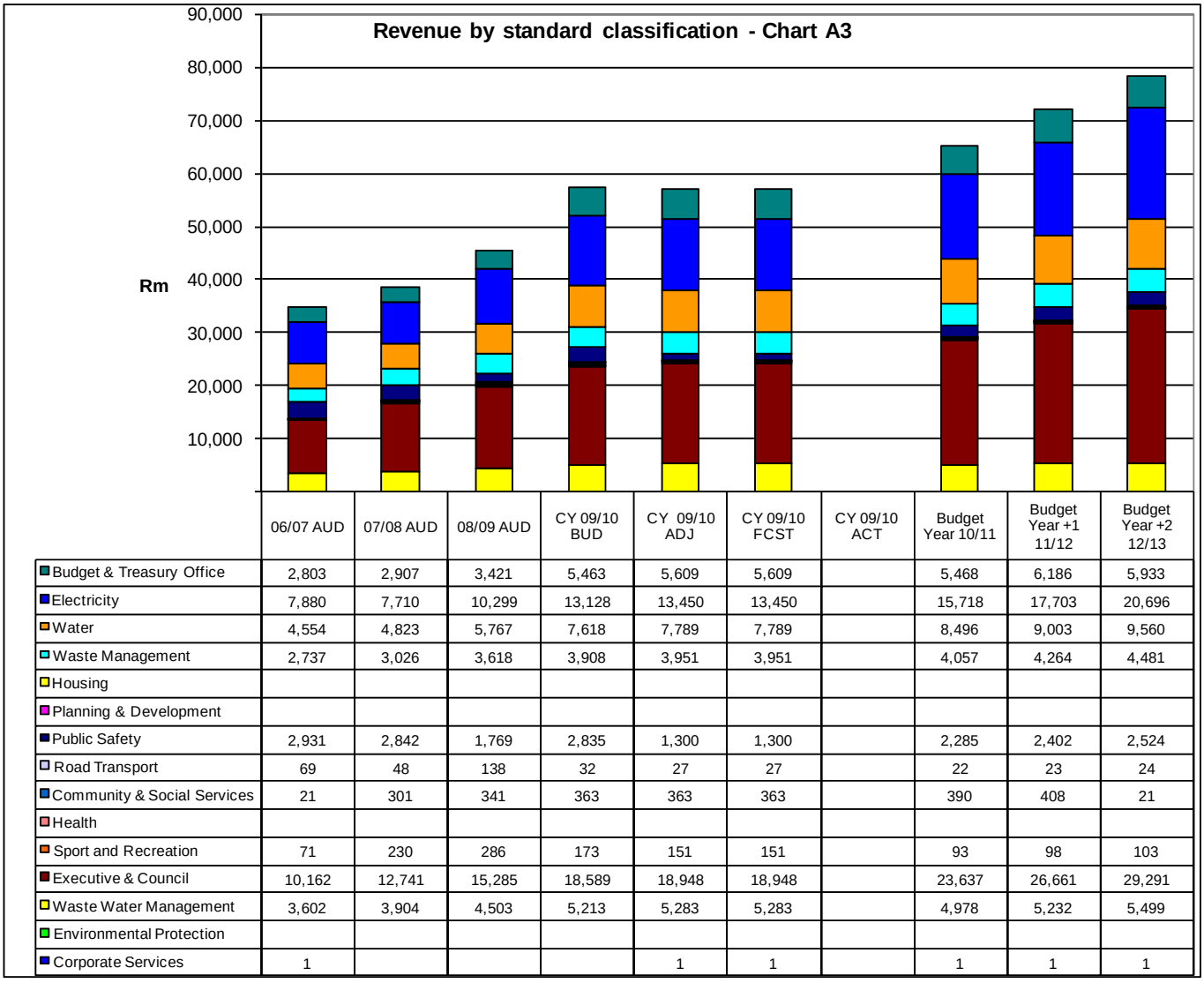
	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
Treasury	2,803	2,907	3,421	5,463	5,610	5,610		5,469	6,188	5,935
Procurement & Infrastructure	16,106	16,484	20,706	25,991	26,549	26,549		29,214	31,962	35,779
Health, Safety & Social Services	5,816	6,437	6,027	7,279	5,765	5,765		6,825	7,171	7,129
Sustainable Dev. & City Enterprises										
Corporate & Human Resources										
Office of the City Manager										
Governance	10,162	12,741	15,285	18,589	18,948	18,948		23,637	26,661	29,291

Figure 6: Revenue by municipal vote



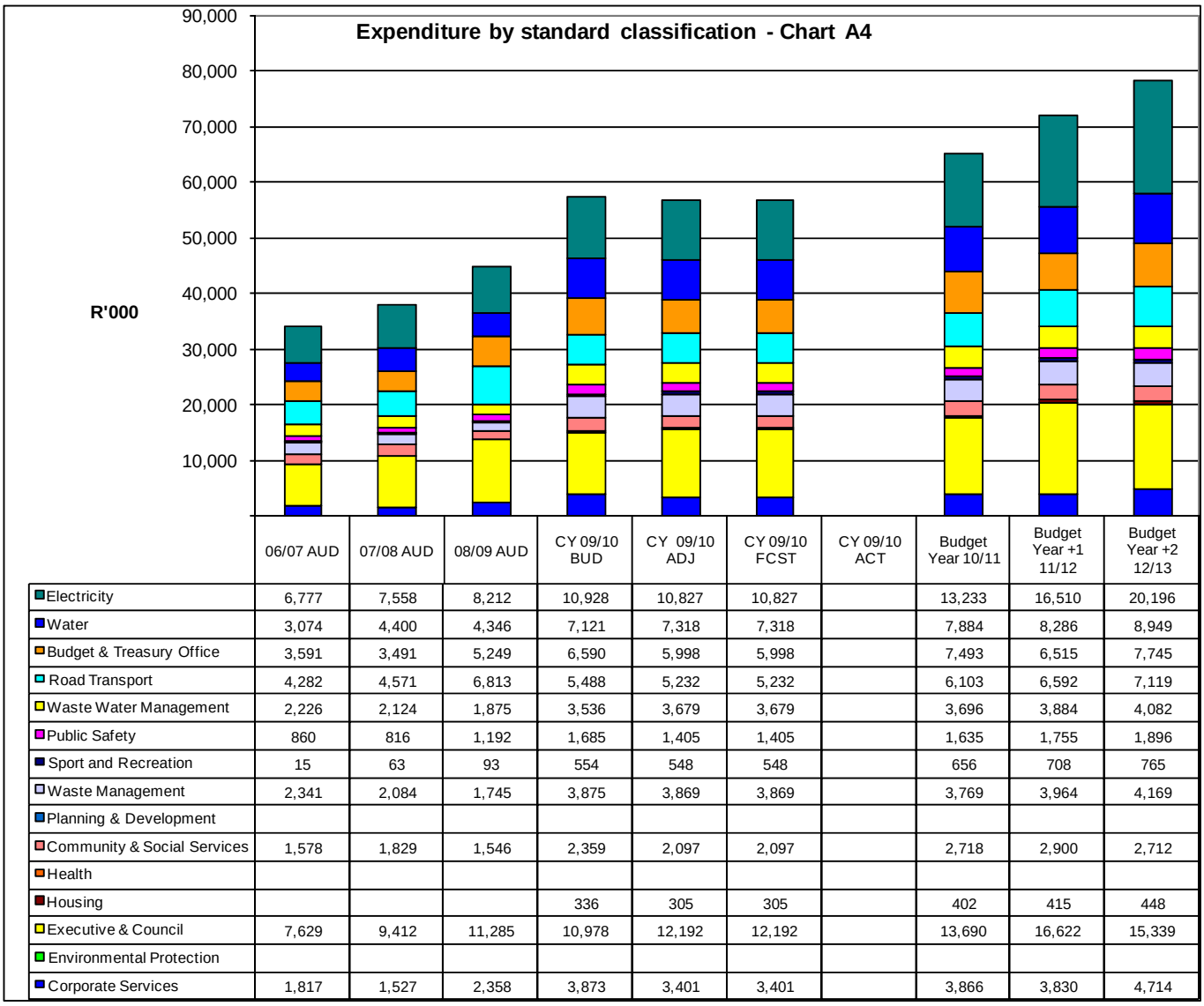
	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
Procurement & Infrastructure	16,359	18,653	21,247	27,073	27,056	27,056		30,916	35,272	40,347
Health, Safety & Social Services	4,880	4,720	4,642	7,776	7,457	7,457		7,916	8,399	8,539
Treasury	5,934	5,733	8,201	11,495	10,166	10,166		12,624	11,689	13,910
Sustainable Dev. & City Enterprises										
Office of the City Manager										
Governance	7,629	9,412	11,285	10,978	12,192	12,192		13,690	16,622	15,339
Corporate & Human Resources										

Figure 7: Expenditure by municipal vote



	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
Budget & Treasury Office	2,803	2,907	3,421	5,463	5,609	5,609		5,468	6,186	5,933
Electricity	7,880	7,710	10,299	13,128	13,450	13,450		15,718	17,703	20,696
Water	4,554	4,823	5,767	7,618	7,789	7,789		8,496	9,003	9,560
Waste Management	2,737	3,026	3,618	3,908	3,951	3,951		4,057	4,264	4,481
Housing										
Planning & Development										
Public Safety	2,931	2,842	1,769	2,835	1,300	1,300		2,285	2,402	2,524
Road Transport	69	48	138	32	27	27		22	23	24
Community & Social Services	21	301	341	363	363	363		390	408	21
Health										
Sport and Recreation	71	230	286	173	151	151		93	98	103
Executive & Council	10,162	12,741	15,285	18,589	18,948	18,948		23,637	26,661	29,291
Waste Water Management	3,602	3,904	4,503	5,213	5,283	5,283		4,978	5,232	5,499
Environmental Protection										
Corporate Services	1				1	1		1	1	1

Figure 8: Revenue by standard classification



	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
Electricity	6,777	7,558	8,212	10,928	10,827	10,827		13,233	16,510	20,196
Water	3,074	4,400	4,346	7,121	7,318	7,318		7,884	8,286	8,949
Budget & Treasury Office	3,591	3,491	5,249	6,590	5,998	5,998		7,493	6,515	7,745
Road Transport	4,282	4,571	6,813	5,488	5,232	5,232		6,103	6,592	7,119
Waste Water Management	2,226	2,124	1,875	3,536	3,679	3,679		3,696	3,884	4,082
Public Safety	860	816	1,192	1,685	1,405	1,405		1,635	1,755	1,896
Sport and Recreation	15	63	93	554	548	548		656	708	765
Waste Management	2,341	2,084	1,745	3,875	3,869	3,869		3,769	3,964	4,169
Planning & Development										
Community & Social Services	1,578	1,829	1,546	2,359	2,097	2,097		2,718	2,900	2,712
Health										
Housing				336	305	305		402	415	448
Executive & Council	7,629	9,412	11,285	10,978	12,192	12,192		13,690	16,622	15,339
Environmental Protection										
Corporate Services	1,817	1,527	2,358	3,873	3,401	3,401		3,866	3,830	4,714

Figure 9: Expenditure by standard classification